Roadmap for Improved Horticulture Export Competitiveness in Malawi, Mozambique, Tanzania and Zambia

Part I: *Facilitating Exports of Priority Horticulture Products*

Part II: *Regulatory Aspects of Integrating Horticultural Export Supply-to-Market Chain*

Part III: *Building Institutional Capacity to Export Among Small and Medium Horticulture Enterprises*

Part IV: *Identifying Transportation Constraints on Horticultural Exports*

Part V: *Identifying Tariff and Non-tariff Barriers to Horticultural Inputs and Exports*

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SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

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ACRONYMS

AGOA	African Growth and Opportunity Act
APHIS	USDA Animal and Plant Health Inspection Service
ASCCI	Association of SADC Chambers of Commerce and Industry
BDS	Business Development Service
BRC	British Retail Consortium
CFR	Code of Federal Regulations (US)
CIF	Cost Insurance Freight
CLUSA	Cooperative League of the United States
COMESA	Common Market for Eastern and Southern Africa
CPB	Customs and Border Protection (US)
CTA	Confederation of Mozambican Business Associations
DFID	UK Department for International Development
DOE	United States Department of Energy
DOL	United States Department of Labor
DOT	United States Department of Transportation
DSC	Dar es Salaam Corridor
EBA	EU Everything but Arms initiative
EU	European Union
FCFASA	Federation of Clearing and Forwarding Associations of Southern Africa
FDA	United States Food and Drug Administration
FESARTA	Federation of East and Southern African Road Transport Associations
FSIS	USDA Food Safety Inspection Service
FTA	Free Trade Agreement
G&S	Grades and Standards
GDP	Gross Domestic Product
HACCP	Hazard Analysis Critical Control Point
HTS	Harmonized Tariff Schedule of the United States
IMF	International Monetary Fund
IMPACT	Impact Assessment, Monitoring and Evaluation Activity
IPA	Investment Promotion Agency
IPPC	International Plant Protection Convention
IT	Information Technology

LDC	Least Developed Country
MCTI	Zambia Ministry of Commerce Trade and Industry
MFN	Most Favored Nation
MOU	Memorandum of Understanding
MUSCCO	Malawi Union of Savings and Credit Co-operatives
NAFU	National African Farmers Union
NASFAM	Malawi National Association of Smallholder Farmers
NDC	Tanzania National Development Corporation
NGO	Non-governmental Organization
NTB	Non-tariff Trade Barriers
NRM	Natural Resource Management
PESA	Private Enterprise Support Activities
PIP	Pesticide Initiative Program
PMAESA	Port Management Association of Eastern and Southern Africa
RAPID	Regional Activity to Promote Integration through Dialogue and Policy Implementation
RCSA	Regional Center for Southern Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAEDF	Southern Africa Enterprise and Development Fund
SAEN	Southern African Enterprise Network
SAIBL	Southern African International Business Linkages
SANAS	South African National Accreditation System
SCCC	SADC Sub-committee on Customs Cooperation
SCD	SADC Customs Document
SME	Small and Medium Enterprises
SO	Strategic Objective
SPS	Sanitary and Phytosanitary
SSATP	World Bank Sub-Saharan Africa Transport Policy Program
TA	Technical Assistance
TAZARA	Tanzania Zambia Railway Authority
TBT	Technical Barriers to Trade
TCCIA	Tanzanian Chambers of Commerce, Industry and Agriculture
TDA	United States Trade and Development Administration

THA	Tanzania Harbors Authority
TNS	Techno Serve
TRADE	Trade for African Development and Enterprise
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USDOC	United States Department of Commerce
USTR	Office of the United States Trade Representative
VAT	Value Added Tax
WTO	World Trade Organization
ZAMTIE	Zambia Trade and Investment Enhancement project
ZATAC	Zambia Agribusiness Technical Assistance Center
ZCSMBA	Zambia Chamber of Small and Medium Business Association
ZEGA	Zambia Export Growers' Association

Summary of Analysis and Recommendations

A. Introduction

Increased trade within southern Africa and between the Southern African region and the US under the African Growth and Opportunity Act (AGOA) is a strategic objective of USAID technical assistance programs in the region. Horticultural exports to global markets and within the region figure largely in that objective. Considerable market potential for select horticultural products already exists for regional and global markets, including market access provided by AGOA. However, producers and exporters in the region face a number of supply-side constraints that limit their competitiveness. To address these problems, components of the supply-to-market chain for exporting horticultural commodities, fresh and processed, must be improved.

In general terms, the supply-to-market chain for horticulture products involves the following components:

1. Farm-level production capacity in terms of volume and meeting market standards for products
2. Producer organizations, export organizations, export and investment promotion institutions, business development service providers, and wholesalers that facilitate economies of scale
3. Transport, cold storage facilities, and use of freight forwarders from farm to local consolidation points in country, as well as transport from country-based consolidation points to regional and/or global markets (road, air and sea freight)
4. Grades and standards, including sanitary and phytosanitary (SPS) and other regulations, at all levels of the supply chain
5. Regional technical barriers (tariff and non-tariff) and Customs administration procedures
6. Market access and demand for select fresh and processed products in regional and global markets

Depending on the kind of product and market demand, the degree to which each component in the supply chain poses a constraint may vary from country to country, and solutions must be specified accordingly. Some countries, for example, have a significantly higher production potential than others due to natural advantages such as good soils, availability of water, and favorable climatic conditions. Other countries face very high infrastructure investment costs just to increase production capacity. To develop competitiveness, governments and the private sector need to make investment choices that build upon natural resource endowments, and improve the enabling environment: institutional capacity, regulatory regimes, tariff and non-tariff trade policies, and transport, to name a few of the most important environmental aspects.

Under the Regional Activity to Promote Integration through Dialogue and Policy Implementation (RAPID) project, Chemonics International examined the most important factors in improving horticultural export competitiveness in the Trade Hub region (Malawi, Mozambique, Tanzania, Zambia and, for comparison, South Africa) to design a "roadmap"

for area stakeholders. Actions recommended under the roadmap take into account the capacity and ability of the Trade Hub to work strategically with regional partners, particularly with USAID bilateral mission programs, other donor programs, and regional organizations. In this context, the priority actions focus primarily on removing select regional barriers and upstream market access constraints, which are enumerated in subsection D of this summary, and more fully explored in each of the five parts of this roadmap report. (Farm-level production constraints can be addressed more effectively by bilateral programs.)

B. Purpose of the Regional Action Plan/Roadmap

The regional horticultural action plan/roadmap has three purposes:

First, the roadmap serves to provide a rationale to stakeholders for actions the Trade Hub can most effectively pursue within its manageable interest as a regional trade facilitator. Other key parameters that guide the choice of interventions include leveraging and building strategic partnerships with bilateral Mission programs and other donor efforts, and working with Embassies in non-presence countries. In addition, the action plan capitalizes on already existing Trade Hub expertise: customs harmonization, transport corridors, and providing regional information through outreach efforts.

Second, the roadmap is a means to provide more substantive information to stakeholders, based on technical issues and analyses; commodity and product specific information; trade data; firm and association relationships; and other information more appropriate to clients in the region.

Third, and related to the second point above, the regional action plan provides a communication mechanism for African stakeholders to explain how the Trade Hub will support the horticultural cluster in the region. The "competitive cluster" approach hinges on the ability to clearly communicate and share objectives in one overall context among all stakeholders, including USAID bilateral Missions, Embassies, other donors, government leaders, private sector associations, freight forwarders, business development service providers, private firms, and others. The task areas reinforce each other: many objectives are interrelated and interdependent. A common understanding of roles and responsibilities should stimulate interaction among interested parties, fostering greater cooperation across the board.

Many of the stakeholders have never worked together before. Using the cluster approach, customs officials will understand what exporters face in clearing goods; government leaders will understand what regulatory constraints private sector producers face; the private sector will understand the costs associated with infrastructure investments that governments will incur; banks and small and medium enterprises (SMEs) will understand their respective responsibilities in financing. Support entities, particularly SMEs, will find new opportunities to participate in the cluster. By communicating the actions to stakeholders on a regional basis, the Trade Hub can stimulate greater regional cooperation, information sharing, and greater ownership to undertake follow-up actions by the stakeholders themselves. Finally, since many of the constraints are regional in nature, cluster communication will promote greater regional cooperation to integrate supply-to-market chains within the region.

C. Methodology

The Trade Hub carried out a horticulture assessment during July and August of 2003. The assessment provided the basis for focusing on a subset of countries (Malawi, Mozambique, Tanzania, Zambia —MMTZ) where horticulture production and export capability has more

immediate potential. The assessment also identifies six crosscutting issues that are critical to improving competitiveness of horticulture products:

1. Communication services within the overall horticulture cluster, within the region, and internationally. Rapid access to information through efficient telecommunications infrastructure is fundamental to improving competitiveness.
2. Access to regional and international market information. Producers and exporters rank the lack of market information, related product specification, and access to buyers as significant constraints.
3. The enabling environment for business. Many countries lack effective export-oriented policies and a business-friendly environment that promotes export development. Red tape and redundant bureaucratic procedures limit competitiveness.
4. Business development services for small and medium-scale enterprises (SMEs). The lack of effective business development service providers who can assist SMEs with standard business procedures—such as business planning, marketing, accounting—is a key constraint for the thousands of SMEs that could be contributing to the supply chain.
5. Access to affordable finance. High interest rates and limited creative export financing is a major constraint, particularly for SMEs. The inability of businesses to provide credible business plans to banks also limits their ability to obtain loans and financial assistance.
6. The inefficiencies associated with regional technical barriers to trade, Customs administration, and transport of products. These constraints impose substantial costs to the private sector due to the lack of harmonized procedures, protective tariffs, and non-tariff barriers and associated delays in the movement of goods and services.

During October and November 2003 the Trade Hub team conducted follow-up consultations with stakeholders (see Annex, stakeholder directory) to define specific tasks and actions to increase horticultural trade, regionally and globally, in the next one-two years. Countries where this is feasible include Malawi, Mozambique, Tanzania, Zambia, and South Africa[1]. The roadmap addresses those components of the supply-to-market chain that are primarily regional in nature as compared to production constraints, which can be addressed more effectively by bilateral interventions. Thus the constituent parts of the roadmap described below focus primarily on regional organizations, regional transport, grades and standards common to all exporters in the focus countries; and regional technical barriers and market access at the regional or more global level.

Finally, all roadmap recommendations were designed with rigorous attention to issues of sustainability. Sustainability can best be served by stimulating stakeholders to take ownership of their cluster, and follow-up with sustained momentum. Competitiveness in the cluster is a long term-proposition.

[1] Namibia has potential in the northern part of the country, but significant in-country investment is needed before potential will be realized. Namibia is also export-ready for table grapes, and the only constraint preventing export to the US is completion of the SPS certification by APHIS.

D. Parts of the Roadmap and Recommended Actions

Part 1: Identification of horticulture commodities, products, and firms with potential for export in the near term.

The Trade Hub's purpose here was to identify products and/or firms which, with minimal technical assistance at the marketing ends of the supply chain, could be deemed export ready. The primary criterion for defining "export-ready" was whether the firms or products were already selling to any other country, either regionally or globally. While this criterion is somewhat subjective, it does give a reasonable basis for selecting firms that could, with minimal assistance, begin exporting to a larger or more sophisticated market, such as South Africa or the US, within one year. Demonstrated success on the part of these firms will serve as a great motivator to other, potentially export-competitive businesses, which have "export opportunity" profiles: Those with clear opportunities to export their product lines within the next three years.

The process of selecting export-ready commodities, products, and firms also included a review of market demand and the potential for sustained export in regional and international markets. Most exporters (of either category described above) tend to believe that if they can produce, they can therefore export. Many do not realize the degree of capacity building that must be undertaken before they will be able to demonstrate reliability in sophisticated markets. Business planning, "fair trade" pricing practices, quality assurance, and delivery capability are all aspects of exporting that are not well understood. Based on interviews with firms, two areas where support is most wanted and needed are: market information services, particularly for the US market; and grades and standards, including sanitary/phytosanitary (SPS) and other regulations.

Export-ready and export-opportunity designations were also made based on the support offered by bilateral Missions and/or other donors in the supply-to-market chain of selected commodities. With proper strategic planning, it is possible that the entire supply chain, from production (bilateral support) to facilitating buyer contacts and market access (Hub support), could receive needed assistance.

Table 1 below summarizes the results of the action to identify products and related firms in the two export status categories, along with estimates of current and projected export value and potential market destinations.

TABLE 1

PRIORITY PRODUCTS, SOURCE COUNTRIES, ESTIMATED CURRENT AND FUTURE EXPORTS AND TARGETED MARKETS

Product	Source Countries	Estimated Current Exports		Estimated Increases Within Two-Three Years		Targeted Markets
		(USD '000)	(mt)	(USD '000)	(mt)	
Export-Ready Products						
Paprika pods or powder	TZ, ZA, MW, RSA	9,254	8,898	1,000	1,000	USA, Spain, RSA
Paprika oil	ZA	0	0	5,000	200	USA, Spain, Europe
Cut Flowers	ZA, TZ, MZ, RSA	45,000	14,500	4,500	1,815	Europe, USA
Baby Vegetables	ZA, TZ, MZ	>35,000	13,462	3,000	1,154	Europe
Snow Peas	ZA*	7.4	3	1,500	577	USA
Bird's Eye Chili Pepper	MW	~500	167	300	100	USA, Europe
Grapefruit	MZ	166	255	332	510	Middle East, Europe
Mango	TZ	125	75	42	25	Europe, Middle East
Export-Opportunity Products						
Melons	ZA, MZ, MW	tbd	tbd	tbd	tbd	RSA
Passion Fruit	ZA, MZ, MW	tbd	tbd	tbd	tbd	RSA
Banana	MZ	tbd	tbd	tbd	tbd	RSA
Onions & Trad. Tubers	ZA	tbd	tbd	tbd	tbd	RSA, BW, NM
Trad. Aromatic Rice	ZA, TZ, MW	tbd	tbd	tbd	tbd	ZA, TZ, MW, MZ

ZA exports to USA in 2002, source US International Trade Commission

*tbd=to be determined in 2nd quarter

Sources of data include: International Trade Centre TradeMap database, 2003; GOTZ Customs; EBZ; US International Trade Commission, Pathfast Publications

Part II: Review of regulatory requirements for export-ready and export-opportunity products.

A common constraint for all exporters is meeting grades and standards, including SPS regulations. This is especially a problem for exporters who want to export to the US market under AGOA. In addition to SPS requirements, exporters must also meet the regulatory

requirements administered by other US government agencies such as Environmental Protection Agency, the Food and Drug Administration, and new bio-terrorism requirements. At the regional level, exporters face similar issues. Government regulations are minimal in most cases; however, exporters must meet ever more stringent quality assurances, including traceability, as a function of market destination and unique specifications (e.g. supermarkets and niche markets, organic markets) which are based on higher standards set by consumer demand rather than by government regulations.

While increased attention is now being given by the USDA Animal and Plant Health Inspection Service (APHIS) to SPS for fresh produce in the region, exporters still lack information necessary to put comprehensive quality assurance programs in place to meet regulatory requirements for more sophisticated markets such as the US and European Union. In the long term, it will be important for the region to develop an indigenous capacity to assist exporters to meet new requirements, because the need for such services will far exceed the capacity of APHIS resources. To address the broader capacity building issue, a concerted and focused program should be considered by USAID, working in concert with other US government regulatory agencies, and other donors (a suggested approach to such a program is outlined in Part II of this report).

The Trade Hub team worked with the APHIS specialist at the Regional Center for South Africa to identify priority commodities for SPS attention, and to review requirements for the priority commodities and products identified in Task 1 above in terms of SPS, FDA, bio-terrorism, and other regulations. Table 2 below summarizes the results of the coordination effort.[2]

[2] A "user-friendly manual" for helping exporters navigate the regulatory requirements will be completed by May 2004. The manual will address US regulations, and regional and EU requirements, so that exporters can plan accordingly as they initiate and develop their export operations. The manual will be provided in hard copy and will be posted on the Web for use by exporters in the region. The manual will address regulatory requirements by commodity groupings, which have similar regulatory requirements.

TABLE 2

Categorization of Identified Priority Products by Import Regulation Agency, Import Status, Import Regulation, and Status of PRA

Products Regulated by FDA	Country	Import Status	Import Regulation
Paprika, crushed or ground pods or oil	All countries	Permitted	No permit required
Bird's eye chili pepper, whole dried or ground	All countries	Permitted	No permit required
Fresh Fruit and Vegetable Products Regulated by APHIS		Import Status	Permit Required
Product (common & scientific names)			PRA Status
Grape (Vitis vinifera)	Namibia	Not Permitted	Active
Asparagus (Asparagus officinalis)	South Africa	Permitted	
Baby Corn (Zea mays)	South Africa	Not Permitted	Active
Fine Beans (Phaseolus vulgaris)	South Africa	Not Permitted	Active
Asparagus (Asparagus officinalis)	Zambia	Not Permitted	Active
Baby Carrot (Daucus carota spp. Sativus)	Zambia	Not Permitted	Active
Baby Corn (Zea mays)	Zambia	Not Permitted	Active
Baby Squash (Cucurbita pepo)	Zambia	Not Permitted	Active
Courgette (Cucurbita maxima)	Zambia	Not Permitted	Active
Fine Beans (Phaseolus vulgaris)	Zambia	Not Permitted	Active
Leek (Allium porrum)	Zambia	Not Permitted	Pending
Okra (Abelmoschus esculentus)	Zambia	Not Permitted	Pending
Pepper (Capsicum annuum)	Zambia	Not Permitted	Pending
Sugar snaps (Pisum sativum)	Zambia	Not Permitted	Pending
Snow Peas (Pisum sativum)	Zambia	Permitted	Admissible under permit
Other Products Regulated by USDA-APHIS	Country	Import Status	Import Regulation
Nursery Stock, including seeds	All countries	Permitted	Admissible under permit
Cut Flowers	All countries	Permitted	Admissible without permit

Sources: APHIS webpage, https://web01.aphis.usda.gov/PRAStatusWeb2.nsf/Africa?OpenView, and manual "Regulating the Importation of Fresh Fruits and Vegetables"
FDA webpage, http://vm.cfsan.fda.gov/list.html

PART III: Building Horticultural Institutional Capacity to Enhance Small and Medium Enterprise Export Performance

National and regional producer organizations, export associations, and government entities play key roles in the ability of the horticultural subsector to build export capacity, enhance regional cooperation, and address sustainability. A horticulture industry with strong institutions can act on on behalf of producers and exporters at a more global level; such capacity is not currently widely available in the region. The lack of effective institutions, particularly private-sector institutions that operate at the regional level, is a serious constraint in the region. Most countries have local producer/farmer organizations with specialized mandates, and with different levels of operational capability. Most cannot recover costs through fees for service. Many private sector organizations need institutional support to improve management, planning, and technical service capability. Donors, including USAID bilateral missions, are assisting some of them.

Many SMEs also need basic business development assistance, which should typically come from business development service providers (BDS). However, BDS is also weak in most countries. An exception is South African International Business Linkages (SAIBL), which provides technical support in both Tanzania and Zambia with linkages to Botswana and South Africa.

The Zambia Export Growers Association (ZEGA) offers the most potential for institution building in the region. ZEGA is strong enough, with Trade Hub support, to assume a broader role in the focus countries of Tanzania, Zambia, Malawi, and Mozambique, particularly in demonstrating effective provision of services to exporters (e.g. consolidating and chartering dedicated airfreight services). Specific recommendations with respect to ZEGA include:

1. Develop a proposal for regional networking with other horticulture institutions (e.g. Tanzanian Flower Association, TAFA)
2. Develop standardized tools and materials to build capacity among network partners
3. Develop monitoring systems for measuring impacts

Part III also identifies the regional institutions and SMEs that are most likely to benefit from the regional networking initiative led by ZEGA. The result will be strategic alliances among national-level organizations in Zambia, Tanzania, Malawi, and Mozambique, and development of strategic alliances with select South African organizations and buyers**.**

PART IV: Improving Horticulture Transport Efficiencies for Malawi, Mozambique, Tanzania, and Zambia

The transportation of fresh and highly perishable horticulture exports from the four focus countries to international and regional markets is mostly by airfreight; however, some products are shipped by surface transport including trucks, rail and sea. Most exports are destined for Europe, the largest market. Other international markets include the Middle and Far East; the US currently represents an insignificant volume of trade.

Transport of horticulture exports involves cold chain operations by refrigerated trucks from farm to pack-houses at consolidation centers, airports or seaports, as well as to the regional

buying centers or specific market places, such as supermarkets. While most fresh fruit and vegetables exports are shipped directly to the countries with identified markets, flowers exports are destined for the international auction system based in Amsterdam, with only a few exceptions.

The transport issues and constraints identified are, in general, common to the exporters within each country and across all countries. In summary, the issues are:

1. Most airfreight is handled by regularly scheduled passenger flights; dedicated airfreight arrangements are necessary to increase volume. Airfreight services for horticulture exports are currently unreliable and generally very costly**.** They allegedly abandon contracted traffic for more lucrative, even if short-term, opportunities, and in such cases, the result is usually loss of very highly perishable products involved. New strategies and types of contracts need to be negotiated to ensure more reliable services.

2. The low volumes of trade produced in the individual countries or by individual farms or groups of farmers within one country do not provide an incentive to professionalize airfreight services and reduce shipping rates. The farmer/exporter, or limited groups of farmers, negotiate shipping services and freight rates individually. This system does not offer an opportunity to benefit from economies of scale of larger coordinated shipments that may attract special rates and services. With the exception of Zambia[3], there is no effective coordination or consolidation of traffic within each country. Further, at present, there is no coordination or consolidation of exports between countries. Better deals for improved airfreight services and lower rates may be possible with consolidation and coordination of the exports within and among the exporting countries.

3. The surface transport logistics chains for refrigerated shipment of fresh and processed horticulture products are not well developed in some of the region's transport corridors. Although shipping lines now have technologies and marketing systems that enable them to place self-powered refrigerated containers at any collection point, there is need to develop or improve special port terminals (with requisite pack-houses, cooling facilities, and handling equipment) and the surface (truck and/or rail) transport system. Development of these facilities requires significant private sector investment, easier to attract when there are higher volumes of trade, coordinated expansion programs, and consolidation or shipments from the exporters and countries using a particular corridor.

There is general agreement among most stakeholders in the horticulture goods producing and exporting countries that the high rates and relatively unreliable transport service are major

[3] In Zambia, ZEGA has established an efficient framework for consolidation and coordination of traffic and for organizing dedicated transport services for national horticultural exports. ZEGA would be a very good partner in leading a regional effort to consolidate traffic and secure improved airfreight services for exporters in the target countries.

impediments to the sustainability and further development of this potentially high growth and lucrative industry. The stakeholders, therefore, agree that urgent action should be taken to jointly identify and implement an action plan to improve transport services and lower freight rates in order to ensure continued growth of the horticulture sector.

Actions discussed in Part IV to address these constraints include:

1. Investigate and make recommendations on a strategy and options to consolidate horticultural exports to generate volumes that will attract more reliable, dedicated airfreight services and lower freight rates for shipments from the four target countries. Because of its experience and vision, ZEGA should provide leadership in this analysis, with Trade Hub technical assistance.

2. Prepare a regional framework, logistics and timetable for negotiations between horticultural exporters and air service providers to establish better air cargo transport deals across the target countries, based on the recommended and accepted strategy.

3. Identify inadequacies and recommend facilities and operational improvements needed to establish efficient surface transport cold chain systems along the Dar es Salaam, Beira and North–South corridors.

4. Recommended list of facilities and operational improvements needed to establish efficient cold chain systems for Dar es Salaam, Beira, and North – South corridors would have been provided. This list would have been used to help attract private sector investment in the required facilities and in service provision.

The key stakeholders and partners who would be involved in implementing the above recommendations are the horticulture products exporters' associations, led by ZEGA; export promotion agencies; logistics operators (including airfreight service providers, airports and seaports fresh goods' terminal operators, corridor refrigerated transport operators—road and rail—and clearing and forwarding agents' associations); and relevant technical assistance projects and donor agencies, including USAID Missions.

PART V: Identifying Tariff and Non-tariff Barriers to Horticultural Inputs and Exports in the Four Focus Countries and South Africa

A number of constraints are common to all the products identified as having high export potential. These range from high rates of Value Added Tax (VAT) on horticultural inputs and on capital goods, to cumbersome border formalities. Some specific concerns include:

1. Delays in the refund of VAT on inputs in Malawi, Mozambique and Tanzania. This ties down funds for further input and working capital in countries where the interest on credit is very high.
2. In Mozambique, the duty drawback scheme is inefficient and as a result, the refund of duty and taxes on horticultural exports takes so long that growers have given up any attempt to claim refunds. Again this ties down funds for further inputs and working capital.
3. There are still Customs clearance problems for traffic at the Garcia Ressano/Lebombo border despite the extension of border opening hours and there are long delays in clearing imports at the Mozambique-Zimbabwe borders.
4. At the Kenya/Tanzania border, Customs officers examine vegetables in refrigerated trucks for export overseas from Nairobi. This necessitates under-loading of the trucks in order to leave an inspection aisle in the middle and causes long clearance delays. Opening trucks can also result in damage to vegetables for export.
5. In Malawi, Mozambique and Zambia, stakeholders cannot take advantage of the huge markets for vegetables and other horticultural food products in South Africa and Botswana partly because there is a "knowledge gap" regarding the administrative requirements for importing, especially into South Africa.

Recommendations to address these constraints include:

1. To reduce delays in the refund of VAT on inputs in Malawi, Mozambique and Tanzania, the appropriate revenue authorities should be brought together to review the experience of Zambia, which has successfully adopted measures for speeding up the refund of VAT (the ZAMTIE project). This will increase liquidity of exporters and expand trade.
2. Based on similar work done by IMF in Tanzania, make recommendations for improving Mozambique's duty drawback scheme. Again, this will increase liquidity of exporters and expand trade.
3. Provide technical assistance to streamline Customs clearance procedures at the border posts (the Lebombo/Garcia Ressano border and at the border posts between Mozambique and Zimbabwe).
4. Provide recommendations for inspecting perishables at the farm gate before they are loaded on trucks, preventing damage to perishable commodities resulting from poor customs management at the Tanzania/Kenya border.
5. Develop and disseminate an information manual on duties, taxes, trade restrictions, licensing, and quotas, applicable to products being exported into South Africa. This will increase trade flows between MMTZ countries and South Africa.

End of Summary of Analysis and Recommendations

Part I: Identification of Export Priority Products in the Four Focus Countries

A. Introduction

Southern Africa Global Competitiveness Hub (Trade Hub) advisers have identified two classes of commodity and processed product from the region that are priorities for export facilitation. These are: (1) "export-ready now" and "export ready"; and (2) "export opportunity" products.

1. Priority “export-ready” products are defined by the Trade Hub as currently being exported to at least one country, meeting safety and phytosanitary (SPS) requirements in that country, and offering short-term opportunities for increased exports, either into existing or new markets.

2. Priority “export-opportunity” products are those that are not being formally exported currently, but offer clear opportunities for exportation within one to three years.

Table 1 below lists identified priority products, the countries that are expected to be the major exporters, estimated current exports, estimated increased exports, and expected markets.

TABLE 1

PRIORITY PRODUCTS, SOURCE COUNTRIES, ESTIMATED CURRENT AND FUTURE EXPORTS AND TARGETED MARKETS

Product	Source Countries	Estimated Current Exports		Estimated Increases Within Two-Three Years		Targeted Markets
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Export-Opportunity Products						
Melons	ZA, MZ, MW	tbd	tbd	tbd	tbd	RSA
Passion Fruit	ZA, MZ, MW	tbd	tbd	tbd	tbd	RSA
Banana	MZ	tbd	tbd	tbd	tbd	RSA
Onions & Trad. Tubers	ZA	tbd	tbd	tbd	tbd	RSA, BW, NM
Trad. Aromatic Rice	ZA, TZ, MW	tbd	tbd	tbd	tbd	ZA, TZ, MW, MZ

ZA exports to USA in 2002, source US International Trade Commission

*tbd=to be determined in 2nd quarter

Sources of data include: International Trade Centre TradeMap database, 2003; GOTZ Customs; EBZ; US International Trade Commission, Pathfast Publications

The priority product identification process began with the background provided by the Trade Hub's *Competitive Clusters Assessment Report* which reviewed the current development literature; reported information from bilateral missions, business leaders, and business support organizations in nine Southern African countries; and assessed competitive conditions and related development potentials. Conclusions justified a focus on the horticultural sector and highlighted groups of products, marketing channels, and stakeholders within a subset of five countries for further investigation.

The Trade Hub team conducted detailed in-country reviews in November and December of 2003 in South Africa, Zambia, Tanzania, Mozambique, and Malawi. The team met with representatives of bilateral USAID missions, local chambers of commerce, exporter associations, and USAID-funded and other donor development programs to determine the final selection of priority products. These two questions were the focus of the interviews:

1. What horticultural products in this country have the greatest potential for increased export volume in the very short term?
2. Who are the most dynamic individuals and organizations involved with the identified products?

Once the bilateral USAID missions and/or local chambers of commerce had provided the initial identification of a specific product for export action, the Trade Hub team then directed the discussions toward the identification and understanding of factors constraining the expansion of exports. While a broad range of constraints was discussed, the focus was on those in which the Trade Hub has specific expertise, namely, marketing, transportation, customs, regulatory requirements, and institutional development.

The Trade Hub team visited exporters and business support organizations to further gauge the export potential and level of stakeholder participation. The most convincing factors in deciding to give a product priority status were the level of private-sector commitment and confidence in the short-term export potential of the product; and the likelihood that the company involved will become an active and valuable participant in future development efforts. Components of the Trade Hub team's analysis of each firm's capacity to export include:

1. Evidence that the firm is exporting the target product, based on the company's own information. For example, the Malawi National Association of Smallholder Farmers (NASFAM) indicated that it had exported agricultural products worth $16 million in 2002, including approximately $252,000 worth of Bird's Eye chilies.

2. All firms in the export-ready product classification are currently exporting the priority product except for Enviro-Oil & Colourants 2000 Limited. This firm has not exported paprika oil but has exported paprika flakes and at least one other essential oil product, as well as cut flowers.

3. Evidence that the firm is exporting to high-quality markets. This relates principally to the vegetable exporters. In all cases, the baby vegetable exporters identified as potential participants are certified under EUREPGAP and BRC and must have Hazard Analysis Critical Control Point (HACCP) systems in place in their packing houses. These are requirements imposed by their European buyers as conditions precedent to exportation.

4. Evidence of the firm's present and future productive capacity. Enviro-Oil & Colourants 2000 Limited, for example, has a newly-refurbished paprika oil processing facility that the team visited. The team also visited the farms of baby vegetable and cut flower production and export firms. In all cases, it was evident to the Trade Hub team that the firms were capable of delivering on their promises relating to present and future product volumes.

Upon return to Trade Hub offices, the team conducted additional desk research to better understand and document the potentials of each priority product.

B. Problems in Expanding Exports

According to the exporters interviewed, the primary constraint on increasing exports of priority products is identifying and qualifying[4] new buyers in markets where SPS requirements are not an issue, that is, securing business deals that will be profitable within a year. Existing exports imply no binding constraints relating to government or industry regulations; however, exports would be facilitated by the relaxation or streamlining of existing, non-binding constraints,[5] as this would free-up business resources now devoted to regulation compliance. In the case of export-opportunity products, the primary export constraints include limited markets, phytosanitary requirements, and customs regulations.

The range of possible activities that will facilitate sales of export-ready products includes:

1. Trade missions (visits by exporters to prospective markets and visits by buyers to prospective exporters and sourcing zones)
2. Marketing consultations (a marketing consultant visits prospective markets to identify prospective buyers, suggested volumes, and marketing procedures)
3. Internet and telephone communications to prospective buyers to initiate export sales negotiations

[4] Qualification involves investigations to document the reliability of a potential client, including their payment history and their handling of disputes. Some of this information can be found via a US rating agency that specializes in horticultural industries.

[5] A non-binding constraint is one that does not prevent export (as some SPS regulations currently do) but constrains a more efficient flow of exports, such as, complex Customs documentation requirements or import tariffs.

4. Facilitating exporter access to business linkage services offered by US government-sponsored programs, such as South African International Business Linkages (SAIBL) and Minority Business Development Association (MBDA), and those sponsored by other governments and international organizations
5. Assistance to exporters in using Internet business linkage tools and marketing information sources
6. Publication of market intelligence reports on targeted markets

To facilitate export-opportunity sales, which have a broader range of constraints, possible interventions in addition to those above are:

1. Publication of guides to understanding and complying with SPS regulations imposed by governments and SPS requirements imposed by buyers
2. Facilitation of linkages between exporters, buyers, and third-party production coordination agencies (This targets relationships between regional buyers demanding high-quality products and farmer organizations or commercial farms. It is becoming common practice for buyers to rely on third-party agents to assure that production contractors produce the quality desired, on schedule, using good agricultural practices. The third-party agencies may be associated with or directed by USAID-funded development programs in various countries.)

C. Discussion of Priority Products

Taking each product in the order presented in Table 1, the following discussion presents:

1. An overview of the product opportunity from the point of view of the USAID bilateral missions, related businesses, and business support groups
2. A review of world or regional market conditions that favor the successful export of the product
3. A discussion of current and target future export volumes and values
4. A discussion of the key exporters
5. A suggested action plan for facilitating increased exports of the product (In all cases, the initial action recommended by the Trade Hub team, in response to the exporters primary constraint, is an effort to help exporters identify and qualify new buyers.)

C1. Export-ready Products

C1a. Paprika Pods, Powder, and Oil

Private business and international development organizations, including some funded by USAID, wish to expand exports of paprika for at least two reasons. The most important is the changing and expanding world market for paprika powder, used as a spice and oil (oleoresin), and as a colorant in food and cosmetic products. Traditional suppliers such as Hungary have problems related to contamination from air pollution and allegations of product adulteration. Supplies from Zimbabwe, another traditional supplier, have fluctuated significantly in recent years. Meanwhile, the demand for paprika as a natural colorant for food and drink products is increasing as the use of artificial colorants is being restricted. One industry source estimates current growth in demand for milled paprika at 20 percent per annum[6]. According to the US International Trade Commission, total US imports of carmine food colouring solutions (HTS Product # 32050005, which includes paprika oleoresins) more than tripled over the period 2001-2002 and declined 20 percent over 2002-2003 (see http://dataweb.usitc.gov).

Tables 2 and 3 below provide information on imports into the USA from selected countries and exports from selected Southern African countries. Note that Spain figures largely in both tables. It supplies approximately 50 percent of total US imports and purchases significant quantities from Southern African countries, implying a potential gain in export value from marketing directly to the USA.

TABLE 2
US Imports of Dried or Crushed or Ground Paprika
from Southern Africa, Spain & All Sources
(value in thousand USD)

Country	2000	2001	2002
South Africa	910.6	821.6	1961.3
Zimbabwe	731.6	752.9	239.7
Zambia	140.4	0	0
Spain	8,310.0	7,619.0	9,005.3
Total US Imports from all sources	17,699.7	18,037.0	20,819.5

Source: US International Trade Commission, hhtp://dataweb.usitc.gov, HTS # 09042020

[6] Condiment Paprika: Breeding, Harvesting & Commercialisation," by N.F. Derera, Rural Research & Development Corporation, RIRDC publication No 00/155, found at www.rirdc.gov.au/reports/NPP/00-155.html.

TABLE 3
SADC Paprika Exports (Dried, Crushed or Ground)
by Volume and Value, 2002
(metric tons & thousand USD)

Country	2002		Major Destinations
	Volume	Value	
Zimbabwe		12,581	Spain, S. Africa
South Africa	7,261	7,113	Spain, U.S., India, Brazil, Angola, U.K.
Zambia	855	1,124	Zimbabwe, Spain, S. Africa, U.S.
Malawi	461	715	Spain, S. Africa, Italy, U.K.
Tanzania	261	302	Spain
Total	8,838	21,835	

*Zimbabwe does not report volume figures to COMTRADE, only value

Source: International Trade Centre TradeMap database, 2003

Another reason international development organizations such as USAID have targeted paprika is that increases in paprika export values will enhance smallholder welfare and contribute to such programs as the Initiative to End Hunger in Africa. Paprika production and marketing processes are well adapted to African smallholder conditions. It is marketed at the farm level as sun-dried pods that can be stored and transported under smallholder conditions without significant loss in quality. According to several industry leaders, such as Mrs. Miriam Nkunika, Chairperson, Zambia Association for High Value Crops (ZAHVC), smallholders have readily learned to produce paprika and, in some cases, have switched from tobacco production into paprika. According to Mrs. Nkunika, smallholders find that paprika provides more revenue than traditional crops like maize, and is competitive with tobacco, which has similar net revenues but requires more labor.

Responding to world market opportunities, private sector firms have begun to develop sourcing systems in several Southern African countries. Private sector firms, such as Cheetah Ltd., Bimiz, Ltd., and Biopest Company, Ltd., began expanding production among smallholders and soon found that they could obtain assistance from international development organizations interested in assisting smallholders. International organizations have been supporting farmer-training programs aimed at increasing paprika production in Zambia, Mozambique, and Malawi. Thus, there is an existing partnership between the international community and private-sector paprika exporters that Trade Hub efforts will support.

Paprika: Enviro-Oil & Colourants 2000 Limited, Catherine Mwanamuwambwa, Owner
Lusaka, Zambia

Mrs. Mwanamuwambwa has been active in leading agricultural development in Zambia as a businesswoman and industry organization leader, participating in programs sponsored by the Government of Zambia and international organizations. Her company has participated in internationally-funded out-grower schemes, which help smallholders produce and market paprika. The company currently works with about 1,500 smallholders.

The certainty that paprika oil will be exported directly from Zambia for the first time this year is reflected in the $3 million dollar refit Mrs. Mwanamuwambwa has effected to Enviro-Oil & Colourants 2000 Limited's oleoresin processing plant. The facility is now ready for processing paprika from the 2004 harvest that will take place during April–June. The facility has the capability to process 2,000mt of paprika per year, and produce 200mt of paprika oil with a cost-insurance-freight value of $5 million. Mrs. Mwanamuwambwa told the Trade Hub team that she had pre-sourced only 1,000mt of paprika and therefore would be interested in Trade Hub assistance to locate suppliers of the other 1,000mt.

Mrs. Mwanamuwambwa will export paprika oil this year. She represents a potential market for raw paprika produced within Zambia and neighbouring countries. She is a leader who will likely play a major role in the development of the paprika industry regionally and internationally. She has asked for Trade Hub assistance to find the best market for her product, and the Trade Hub team recommends that assistance to Mrs. Mwanamuwambwa be a top priority.

Paprika: Cheetah Zambia, Ltd. Mark Terken, Managing Director
Zambia, Mozambique and Malawi

Cheetah Zambia, led by Mark Terken, has been a leader in developing the regional paprika industry. With international assistance Cheetah has implemented a series of out-grower schemes in Zambia, Mozambique, and Malawi that currently involve more than 25,000 smallholders. Mr. Terken is intent on expanding this network and increasing exports of paprika flake and ground paprika from the region. Another top priority objective is to increase the value of exports by selling lower down the marketing channel to intermediaries closer to end-users, and directly to end-users. To achieve this goal, Mr. Terken realizes that Cheetah needs to develop the capacity to reliably represent the quality of its products to buyers, and to identify and market to higher-value buyers. Mr. Terken requested that the Trade Hub assist him with the following list of actions:

1. Make contact with specific US spice buyers that Cheetah would identify
2. Make contact with other US spice buyers that Trade Hub would identify

3. Establish appointed agents in overseas markets
4. Establish inventories in overseas markets
5. Organize incoming and outgoing trade missions to allow US, EU and other international buyers to appreciate the quality of Cheetah's products and its management
6. Product development (variety, design, packaging)
7. Website development
8. Sponsor memberships to American Spice Traders Association, European Spice Association, and International General Produce Association to allow Cheetah to: uplift it's profile; network on global level with professional status; and participate in Check Sample program
9. Obtain certification of Cheetah Zambia's laboratory as qualified to perform the following analyses for itself and third parties: ASTA colour; xanthophyll; bixin; pungency; aflatoxin; ash; acid insol ash; moisture; water activity; particle size; total plate count; Y&M; salmonella, etcetera.
10. Establish other quality control programs such as: Total Quality Management; International Organization for Standardization (ISO); Hazard Analysis Critical Control Point (HACCP); GLP (Good Laboratory Procedures)

(Note that Mr. Terken's list of requested assistance provides excellent guidance on the types of assistance that could be made available to all paprika exporters participating in USAID development programs.)

According to Mr. Terken, last year Cheetah Zambia, Ltd. exported 2,500mt of paprika with an export value of approximately $3 million. He feels that the potential for Cheetah Zambia is likely to be double that amount, given appropriate development efforts. He predicted that the assistance he listed above would cost approximately $75,000 and would result in a $1 million sustainable increase in annual paprika exports within two years. Because of the key role Cheetah Zambia, Ltd. has and continues to play in the development of the regional paprika industry, and because of the high potential for achieving increased exports in the short-term, the Trade Hub team recommends that assistance to this company and associated product should be given high priority. Cheetah should first be helped to identify and qualify new buyers, and then to implement the list of actions requested by Mr.Terken for Cheetah and for the paprika industry to enhance the value of their products.

Paprika: National Smallholders Farmers' Association of Malawi (NASFAM), Dyborn Chibonga, Chief Executive Officer; Duncan Warren, Crops Manager; Heshan Peiris, NASCOMEX General Manager
Lilongwe, Malawi

NASFAM, reportedly one of the most successful development efforts in Malawi, was supported for a number of years by USAID (ACDI-VOCA); recently, however NASFAM "graduated" from assistance and is currently attempting to continue work without continuous subsidy from USAID. NASFAM was originally designed as a vehicle for representing the interests of smallholder farmers to government and the

donor community, and for providing organizational training and marketing services to village-level farm groups throughout Malawi. The organization is currently subdivided into three parts:

1. NASFAM Development Corporation (NASDEC) – is the part that deals directly with member activities such as the provision of technical assistance related to business management, finance, and agricultural methodologies.
2. NASFAM Commodity Marketing Exchange (NASCOMEX) – this arm of the organization provides market access to members of NASFAM. In 2002 NASCOMEX marketed over US $16 million worth of members' products. NASFAM helps farmers produce and market tobacco, chilies, groundnut, aromatic rice, cotton, paprika, and soybeans.
3. NASFAM Centre for Development Support - this part of NASFAM is involved with policy issues that affect the smallholders. Training and information services are also provided to members in an attempt to better equip them with both business and agricultural skills.

According to Mr. Chibonga, NASFAM-facilitated paprika production in 2001-2002 was 70mt. For the period 2002-2003 the production fell to a mere 7 tons. It appears that the farmers perceived that they would get a good price for the paprika, but at harvest they felt that the prices were too low. In spite of this negative experience, the NASFAM leadership believes that it should continue its efforts to promote the crop due to its potential as a profitable alternative crop. The leadership recognizes that it may have placed too much confidence in Cheetah, who was the sole buyer. During the Trade Hub team's visit, it was agreed that a search for alternative markets might be the supportive action to take for the subsector. NASFAM management agreed with the Trade Hub team's suggestion that they negotiate with more than two buyers and perhaps spread their sales across more than one buyer during this phase of the development of the paprika industry in Malawi.

The Trade Hub team recommends that an effort to help NASFAM to identify and qualify new buyers for members' paprika should be a top priority action for the Regional Action Plan/Road Map. The possibility of linking NASFAM with Enviro-Oil & Colourants 2000 Ltd., of Zambia for the sale of raw paprika is especially appealing from a regional point of view.

Paprika: Compania de Tabac de Chuara (CTC), Keith Engelbrecht and Kevin Gifford, Owners/Managers
Chimoio, Mozambique

Mr. Engelbrecht and Mr. Gifford are members of a group of Zimbabwean refugees who have recently migrated to Mozambique after having been dispossessed of their farms. The group formed the commercial farm, Compania de Tabac de Chuara, and began an impressive farming operation with impressive goals. They began farming in Mozambique with financial assistance from an American tobacco company (Universal Leaf America Tobacco). With the first revenues from their tobacco

enterprise, CTC has not only expanded its tobacco acreage (they will have 150ha of burley tobacco this year) but has also begun diversifying into paprika, baby vegetables, passion fruit and papaya.

CTC's 8ha test plot of paprika was heavy with what appeared to be ripe paprika at the time of the Trade Hub team visit. The farmers have many years of experience in cultivating paprika in Zimbabwe, but decided to test and adapt that experience in Mozambique before investing heavily in paprika production on their new ground. They were satisfied with the results of the test and have made preparations to expand the paprika acreage to 30ha this year, followed by expansions to 60ha and 100ha in the following two years. They have traditionally sold their paprika to Zimbabwean brokers but now want to sell directly to foreign buyers. They indicated they would welcome any assistance the Trade Hub could provide in locating and qualifying potential buyers. They indicated they would be interested in collaborative business arrangements with buyers, especially those interested in supplying capital to support paprika production and farm-level processing. They also noted that they could arrange to have their paprika processed into oil by a South African firm, if buyers were more interested in buying the oil than crushed pod.

The potential represented by these Zimbabwean farmers and those that will follow them for increased Mozambican production and export is enormous. The arrival of these and other Zimbabweans into Manica Province has given the potential for agricultural development in the area a tangible boost. At the time of the Trade Hub team visit, there was a great deal of enthusiastic talk about the possibility of developing the international airport at Chimoio into a viable export center for baby vegetables, cut flowers, and other agricultural products. Working with these farmers and others mentioned below will provide the Trade Hub the opportunity to contribute to the development of this export center.

The skill levels and dynamism of these farmers commends them as the type of participants that will contribute greatly to national and regional USAID development programs. Their paprika plans and the certainty that they can execute those plans recommend their inclusion into Trade Hub activities relating to paprika. The fact that they are actively expanding into new products and searching for new markets provides the Trade Hub with viable, concrete opportunities to facilitate expanded intra-regional trade, perhaps linking these experienced farmers to high-value but demanding buyers, such as Shoprite and Pick and Pay. For these reasons, the Trade Hub recommends that assistance to them in identifying and qualifying new buyers be given high priority in the Regional Action Plan/Road Map.

C1b. Cut Flowers

Cut flowers are a designated priority export product because:

1. The industry already makes a major contribution to horticultural exports from Southern Africa. A small percentage expansion in exports translates into a significant amount of money.
2. Production is expanding significantly in Zambia, Tanzania, and Mozambique. An increase in exports is almost certain, and can be facilitated by the type of expertise offered by the Trade Hub.
3. Such expansion brings challenges and opportunities that can best be addressed through group action.
4. The key players are highly experienced business professionals who understand the value and necessity of concerted, industry-wide action to solve problems and tackle opportunities. They make ideal participants for industry and regional actions with concrete goals and implementation plans.

The value of world imports of cut flowers was $4.1 billion in 2002. The major importers of fresh cut flowers are Europe and the United States, representing more that 80 percent of total imports. The United Kingdom ranks number one in world imports (19 percent of market share) with a total quantity of nearly 190 million tons, valued at $786 million in 2002. Other major importers by market share are Germany (16 percent), U.S. (16 percent), Holland (10 percent), and France (9 percent). The import market in the U.K. has grown by 14 percent per annum on average over the 1998-2002 period. Some of the fastest growing markets are Malta, Bosnia and Herzegovina, Mexico, Thailand, Russia, Lithuania, and China, which have experienced average annual growth rates ranging from 233 to 35 percent over the past five years.

World supply of cut flowers has been increasing by 15 percent per annum on average over the last five years. Total world exports were 3.95 billion tons in 2002. The major exporter, with a 53 percent market share, is Holland, followed by Colombia, Ecuador, Kenya, and Spain. An excellent overview of the world cut flower industry, including the current changes in marketing, is given in a paper entitled: *Floriculture Worldwide Trade and Consumption Patterns*, by N.S.P. de Groot Agricultural Economics Research Institute, The Hague, The Netherlands"[7]

Table 4 shows flower exports from the Southern Africa Development Community (SADC) region in 2002. Note that for Zimbabwe and Tanzania only *values* were reported to COMTRADE. Note also that the reported figures for Zambia do not reflect the value reported by international sources such as Pathfast Publishing[8] which obtains data from EUROSTAT. Pathfast reports value for Zambian cut flower exports in 2002 as $23,228,000. The most recent figures from the Export Board of Zambia (EBZ) reported Zambian *floricultural* exports for 2001 at $34,078,180. Note that, with the revised figures, Zambia is recognized as the premier exporter of cut flowers among the countries targeted by the Trade Hub.

[7] www.tropical-seeds.com/tech_forum/flowers_orns/flori_world_tcp.html
[8] www.pathfast.com/ITS2003/Zambia%20exp%202002.htm

TABLE 4

SADC Cut Flower Exports by Volume and Value, 2002

(metric tons and thousand USD)

Country	2002		Major Destinations
	Volume	Value	
Zimbabwe		59,638	Holland, Germany, U.K., South Africa
South Africa	5,162	11,850	Holland, Australia, U.S., Germany
Tanzania		10,279	Holland, Norway, U.S.
Zambia	982	2,440	Holland, Germany, S. Africa, Norway
Malawi	42	493	Holland, S. Africa, France, Germany
Swaziland	51	106	S. Africa, Holland, Italy

*Zimbabwe does not report volume figures to COMTRADE, only value

**Pathfast Publishing reports Zambian cut flower exports as $23,228,000.

Source: International Trade Centre TradeMap database, 2003

Adding the revised Zambian figures to those shown in Table 4 for the Republic of South Africa, Tanzania, Zambia, and Malawi results in an estimated total cut flower export value for these four countries of over $45 million. (Given the variation in reported data, it is difficult to report precise figures with confidence.) Thus, as mentioned above, a ten percent increase in total exports of cut flowers would be valued at $4.5 million.

A particular opportunity to facilitate increased exports in the short term is opening up in Tanzania where the Government of Tanzania (GOTZ) is launching an effort to promote the flower industry in Arusha. An objective of the program is to increase production to the point that chartered aircraft can be used to fly flowers directly from KIA rather than going through Kenya. The GOTZ will provide loans to three of the larger-scale farms to increase their production area by 15ha each. The targeted farms include: La Fleur d'Afrique, Kiliflora, and Tanzania Flowers. According to Nick Stubbs, Accounts Manager, Kiliflora, Arusha, cut flower production area in the Arusha area should nearly double to 200ha resulting directly and indirectly from the GOTZ program and separate expansions made by individual companies. According to Greyson Mreme, Deputy Farm Manager, La Fleur d'Afrique, Ltd., Arusha, harvests of increased production should begin in September 2004.

Cut flower production is also expanding in Zambia and Mozambique as Zimbabwean farmers establish flower farms in these countries and the Zambian industry

reorganizes. According to Luke Mbewe, Executive Director, Zambia Export Growers Assoc (ZEGA), the Zambian cut flower industry has come through a period of economic adjustment wherein a number of the smaller producers have been bought out, and subsequently either expanded or absorbed into existing larger scale units. Additionally, Zimbabwean farmers have migrated to Zambia and set up flower farms, some growing "open field flowers," others growing traditional greenhouse flowers using modern hydroponic methods. Rather than a reduction in acreage as previously predicted, the recent "economic hardship conditions" have resulted in what should be a more competitive and larger cut flower industry in Zambia.

In Mozambique, Colin and Rose Hurlbatt, of Vilmar Rose, near Chimoio, Manica Province, told the Trade Hub team that ten new cut flower farms of 10ha each are currently being installed in the area. In Mozambique, as elsewhere, a central preoccupation of farm managers is to build export volumes to achieve economies of scale throughout the production and marketing channel. Thus, individual firms recognize the importance and contribution of other firms to this objective and recognize the value of concerted industry action. This predisposes them to participate in industry-level activities such as those that may be initiated by the Trade Hub.

Although reported reductions in cut flower acreage in Holland[9] opens opportunities for African producers, the expansion of production in Eastern Africa—particularly Ethiopia where producers have excellent production conditions and a comparative advantage in air cargo costs–will strengthen the competition faced by Southern African producers. Such competition should force the Southern African cut flower industry to become more efficient and to begin diversifying into other markets and products. The Trade Hub should help the industry develop more efficient transportation solutions and to test new markets (such as those in Malta, Bosnia and Herzegovina, Thailand, Russia, Lithuania, and China, which have experienced average annual growth rates ranging from 233 to 35 percent over the past five years) and new products (such as cut stems, bulbs, or other plant propagation material that can enter the US market via a very simple import permitting process). It is informative to note that while exports of cut flowers from South Africa in 2002 total about $12 million, its exports of foliage, plant bulb, and plants totaled approximately $26 million while Zambia exported about $23 million in cut flowers in 2002 and only $2 million in other floricultural products[10].

Flowers: La Fleur d'Afrique, Ltd., Greyson Mreme, Deputy Farm Manager and Sanjay Verma, Financial Controller
Arusha, Tanzania

[9] According to Mr. Erik Zweig, Farm Manager, Tanzania Flowers, Arusha, who was recently in Holland to attend an international floriculture conference, flower production in Holland is decreasing due to high costs of labor and operations. He says there were 1,000ha of flowers in Holland previously. Now, this is down to 500ha. This is seen as an opportunity for other countries. However, the " main news" at the conference was Ethiopia's invigorated expansion in cut flower production.

[10] Source: http://www.pathfast.com/ITS2003/South%20Africa%20exp%202002.htm

Mr. Greyson Mreme (who studied agriculture at Texas A&M) described the GOTZ program to radically expand the Tanzanian cut flower industry. According to Mr. Mreme, the GOTZ's program includes:

1. Loans to the three major growers (La Fleur d'Afrique, Kiliflora and Tanzania Flowers) to allow them to each install an additional 15ha of greenhouse cut flower production.
2. Paving of the road leading to the cut flower production area just outside Arusha.
3. Concerted government efforts to streamline regulations that affect the flower producers.

Significantly, The CEO of La Fleur d'Afrique is the Honorable Felix C. Mreme, Member of Parliament who has been quite influential in leading the government's efforts and, according to Mr. Greyson Mreme, has obtained the President of Zambia's strong support for this program. Further evidence of the GOTZ's support to this private-sector industry is that the GOTZ recently funded a group of industry leaders who traveled to Europe to accept awards for the quality of their cut flowers. Mr. Greyson Mreme told the Trade Hub team that La Fleur d'Afrique has initiated its expansion plan (based on the expected support from the GOTZ). The expansion will increase their greenhouse production area from 9ha to 24ha. Additionally, La Fleur d'Afrique will replace its existing greenhouses and rose plants, which have reached the limit of their economically productive lives. Mr. Mreme expects the new production facilities to begin yielding exportable product in September 2004. Hence, it is important that the company decide on the line of products it will produce in the very near future. Mr. Mreme noted that he expected that the three major flower producers in Arusha would want to cooperate on common production and marketing problems and opportunities; however, the industry has not yet worked together very well.

Mr. Sanjay Verma is Financial Controller and currently in charge of marketing for La Fleur d'Afrique. Mr. Verma indicated he would welcome assistance from the Trade Hub to identify and qualify new buyers, either in Europe, the USA, or elsewhere for the company's products. At this stage in the company's expansion, La Fleur d'Afrique could plant special flowers and develop special production plans tailored to the needs of prospective buyers. If the Trade Hub can offer some assistance, it should be implemented shortly to take advantage of the flexibility the company currently has in planning its production program.

The Trade Hub team ranks La Fleur d'Afrique very high on its priority list of export facilitation firms because of:

- the certainty of increased exports implied by its ongoing expansion program
- the willingness of the company to work with the Trade Hub to analyze and (if warranted) market to new buyers
- the influence of its CEO and the related probability that this leader will use this influence to enhance the effectiveness of any Trade Hub programs with

the private and public sectors associated with the Tanzanian cut flower industry

Help should first be offered to evaluate the profitability of the US market for sweetheart roses.

Flowers: Tanzania Flowers, Ltd, Erik Zweig, Farm Manager
Arusha, Tanzania

Mr. Erik Zweig is an American who came to Tanzania on an internship as part of his university's international business program and stayed to fulfill his goal of a career in international agribusiness within a developing country. Mr. Zweig told the Trade Hub team that he remains somewhat skeptical of the GOTZ development program. Specifically, he doubts that the proposed loans will materialize, noting that they have been discussed/promised for quite some time. Mr. Zweig said that TAFA, the Tanzanian Flower Association, got off to a bad start, and people quickly lost interest. "Everybody put in money. But before the first meeting, the money had been spent without membership approval." However, Mr. Zweig indicated that he felt it would be a good idea to revive the association and develop some good governance skills among the members, and he would support efforts to do so.

Mr. Zweig is quite optimistic about the future of the Tanzanian flower industry and the specific future of Tanzania Flowers, Ltd. The company has traditionally sold its flowers on the Holland flower auction and continues to sell most of its flowers via this outlet. However, Mr. Zweig recognizes that competitive forces are requiring that the company modify its marketing strategies to remain profitable. The company has begun to bypass the auction and market directly to European wholesalers. Ultimately, the company would like to market directly to retailers. However, he sees marketing to supermarkets as an undesirable option due to the extreme pressure supermarkets generally place on suppliers to cut prices. He indicated he would welcome any assistance the Trade Hub could provide in expanding sales either deeper into Europe, the USA, or elsewhere.

The reasons that Trade Hub team recommends that Tanzania Flowers, Ltd. should rank high on its priority list of firms and associated products for assistance within the Action Plan/Road Map includes:

- The fact that Mr. Zweig is an American with a commitment to agricultural development in a third world setting implies that he will quickly understand the potentials and limitations of technical assistance programs. He can readily suggest possible program actions that are appropriate for the Arusha area and he will be predisposed to participate in those programs.
- He is interested in expanding exports, recognizes the need to diversify marketing strategies and markets, and will work with the Trade Hub to develop appropriate programs to provide assistance in these activities.

The first phase of assistance to this company should be identifying and qualifying floral buyers, with emphasis on retailers, in Europe.

Flowers: Promoting Agricultural Linkages (PAL), Ronald Ramabulana, Director South Africa

Mr. Ramabulana is the director of a USAID-funded agricultural marketing program in South Africa. The PAL program is a component of the South African International Business Linkages (SAIBL) project funded by USAID and implemented by ECI Africa. Mr. Ramabulana told the Trade Hub that SAIBL had assisted farmers on a cut-rose deal to supply 72,000 bunches of roses to a Miami buyer for a two-week Valentine promotion. He said that the farmers can no longer ship to Miami because South African Airways (SAA) has discontinued its direct flights to Miami. Now, SAA flies directly only to Atlanta and New York. The Trade Hub team noted that an obvious response would be to refocus marketing efforts on Atlanta and New York, and asked why SAIBL had not done the marketing work in these cities. Mr. Ramabulana indicated that SAIBL was constrained in directly intervening in this manner. He indicated that the prime contractor for SAIBL, the Corporate Council for Africa, implemented all States-side activities and had not focused on the flower deal.

Regarding qualities and quantities of flowers available, Mr. Ramabulana indicated that the flower farmers had developed organizations (councils) that work together to deliver the quantities and qualities needed for each order. Rose production is centered in Durban, with approximately 23 farms, and Johannesburg (Magiles); Protea production at Cape Town. That the farmers are presently shipping to Europe implies the levels of technical and commercial sophistication that would assure commercial reliability to buyers in the USA.

The Trade Hub team recommends that helping Mr. Ramabulana to identify and qualify potential buyers of cut flowers from South Africa in Atlanta or New York should be a top priority action because:

- There appears to be a high probability of increasing cut flower export to the USA since this set of producers/exporters had previously won an export contract to the USA.
- This action would be consistent with the Trade Hub's commitment to collaborate with SAIBL and PAL to achieve common objectives.
- The successful establishment of marketing relationships between South African and Atlanta and New York should provide a model that can be used to expand exports along these routes.

Flowers: Ludwig Roses, Halmar Taschner, Owner/Manager
Pretoria, South Africa

Mr. Taschner gave the Trade Hub team a partial overview of the South African cut flower industry in Pretoria that will be helpful in designing export facilitation

interventions. According to Mr. Taschner, export-marketing agents organize and export production from independent growers, who do not get involved in the process. Export expansion programs in the Pretoria area should therefore focus on the export agents. Mr. Taschner gave the Trade Hub team the names of several marketing agents that he knows and, in several cases, sells to.

Mr. Taschner said that most of the growers that he knows focus on the domestic South African market and expend only a portion of their efforts on the export market. His business includes a 3.5ha farm that grows cut flowers for the export market. He also noted that his firm exports bare-root and sterile-medium potted plants to commercial buyers in Mauritius. He did name one farm, Anro Floral Farm, that has made a concerted effort to export to the USA market. Mr. Taschner also said that while most growers sell through market agents, there is an auction market in the Johannesburg/Pretoria area. Mr. Taschner noted that production costs in his area were substantially higher than Zimbabwe, not only because of labor costs but also because of the higher cost of constructing greenhouses to resist the high winds common in the Johannesburg/Pretoria area.

The Trade Hub team recommends that additional efforts to increase cut flower production from South Africa should follow consultation with the growers and marketing agents there. These efforts should follow any collaborative efforts the Trade Hub conducts with SAIBL/PAL to benefit from the experience of investigating new markets for those producers. Knowing the South African marketing agents better may result in efforts to link them with flower growers in neighboring countries. These marketing agents may also be the ideal contact point to begin investigating possible expansions in the production and export of floricultural products other than cut flowers.

Flowers: Zambia Export Growers Association (ZEGA), Luke Mbewe, Chief Executive
Lusaka, Zambia

Mr. Mbewe is an experienced and acknowledged leader in the Zambian cut flower and baby vegetable industries, having guided the development of the Zambian Export Growers Association for several years. ZEGA serves the industries as an exporting agent, arranging for Government of Zambia (GOZA) phytosanitary inspections at ZEGA's airport transshipment facility, and chartering air cargo space for the products. ZEGA has organized and operates an institute to train workers for employment in vegetable and flower production, processing, and marketing. Without question, Mr. Mbewe's participation is critical to any development effort relating to cut flowers and baby vegetables in Zambia.

Because of ZEGA's position as the leading industry-level training and service organization in Zambia, which is the premier cut flower and baby vegetable export country among the five target countries, the Trade Hub recommends that ZEGA be

allotted top priority for Trade Hub export facilitation. The Trade Hub team should return to Zambia and meet with ZEGA and selected cut flower exporters to devise a program to investigate new markets and identify and qualify new buyers for cut flowers. Second, the Trade Hub should stimulate an appraisal by the cut flower industry in Zambia of alternative floricultural products and markets as a means of diversifying and expanding the industry's export profits.

Flowers: Vilmar Rose, Colin and Rose Hurlbatt, Manager and Assistant Manager
Chimoio, Mozambique

Mr. and Mrs. Hurlbatt were operating the Vilmar Rose farm, which is owned by a Dutch firm, at the time of the Trade Hub team visit to the Chimoio area. Unfortunately, they planned to leave Mozambique before the end of 2003 because, they said, they were "tired of dealing with government regulations." Another management team will replace them.

Mr. and Mrs. Hurlbatt provided an overview of the challenges and opportunities facing the cut flower industry in the Chimoio, Manica Province area. According to Mr. Hurlbatt, farmers from Zimbabwe are largely responsible for establishing the cut flower industry there, and the GOMZ is making considerable special efforts to help them at the provincial and national levels. Mr. Hurlbatt noted that the Dutch firm, which owns the farm, arranges for marketing the flowers produced by Vilmar Rose. Currently the flowers are being exported through Harare. They currently ship twice per week, but for production efficiency should be shipping 3 times per week. They expect that one day the Chimoio airport will be set up to export cut flowers and baby vegetables. The airport must first replace its small, inadequate cool room with one appropriate for exports. Planes can then come in to pick up flowers and vegetables before flying on to Zambia for further consolidation before going to Europe.

The Hurlbatts expect flower production in the area to increase fairly rapidly. There are now ten new growers in the area, each installing 10ha of production. As for concern over the possibility of overproduction, they explained that someone would have to make up the loss of production experienced in Zimbabwe. They said that of the 150 flower growers they knew in Zimbabwe, only 15 are in Zimbabwe.

The Trade Hub team recommends that the Chimoio area should be a top priority zone for export facilitation efforts. The possibility of linking this production area regionally to the growing transportation hubs either at Lusaka or Kilimanjaro should receive special attention.

Flowers: Zikomo Flowers, Jayesh Patel, Owner/Manager
Lilongwe, Malawi

Mr. Patel gave an overview of the Malawian cut flower industry that left little room for optimism. The major problem is the comparatively high cost of air transport out of Malawi. The problem is partially caused by the low volume of air cargo leaving Malawi: low volumes translate into high unit costs as air cargo providers have difficulty filling all available space and are forced to fly with uneconomical loads. The low volume of air cargo does not encourage the levels of competition among air cargo service suppliers that would result in prices being driven to the lowest economical level. Currently, there is only one airline providing air cargo service to the cut flower growers of Malawi. The airline charges $0.65/kg for lifting the flowers to Kenya, where they enter the flow going to Europe. The airfreight cost between Malawi and Kenya leaves little margin for profit.

The situation has become a "feed-back" system in which low cargo volumes result in relatively high transport charges which discourage new flower producer entrants and encourages exit of exiting firms, further reducing available air cargo. Mr. Patel said that the largest of the three previously existing Malawian cut flower firms, Linkgassi Flowers, with 17ha of greenhouse production area, recently ceased operations and withdrew from Malawi in a manner that assured that its installed greenhouses would be disassembled and not be used for cut flower production. The exit of Linkgassi Flowers leaves the Malawian industry with only two growers: Mr. Patel's Zikomo Flowers (5ha), and Malavi Flowers (7-8ha). Further, Mr. Patel believes that Malawi Flowers has recently reduced its production of cut flowers. Mr. Patel estimates total export volume from Malawi currently at 1,2000kg/week.

The depressing situation in Malawi prompts the Trade Hub team to recommend that efforts to assist this segment of the industry be assigned a low priority for short-term technical assistance efforts. Marketing experience would advise a switch into products that can be produced with exiting, installed resources, and having longer shelf-lives to allow using a less-expensive means of transport. Possible products include foliage, bulbs, bare-root plants, and sterile medium plants. The experience of South Africa in using this strategy is applicable here.

C1c. Baby Vegetables

Baby vegetables are a designated priority product group because they are a major component of the Southern Africa horticulture export industry. As with cut flowers, baby vegetables are produced solely for export in all target countries with the exception of RSA, where growers also target the domestic markets. As with cut flowers, the industry is expanding in the face of increasing competition from African producers closer to the primary markets in the United Kingdom and Europe. In response, forward-looking producers are beginning to make efforts to develop more efficient production and transportation methods and to diversify into new markets and products. The Trade Hub should facilitate this effort and spread its benefits more quickly to all producer/exporters in the region. There will be a great deal of synergism between the transportation and marketing efforts undertaken in cooperation with the

cut flower and baby vegetable industries since these industries depend on each other to fill air cargo space and negotiate economic air transport solutions.

Sanitary and phytosanitary (SPS) regulations have prevented testing the USA as an alternative market for Southern African vegetable producers. However, by pressing forward with market testing of the only vegetable now eligible for importation into the USA (snow peas), the Trade Hub will help foster the necessary private-sector interest for further efforts aimed at the USA. The Trade Hub team recommends that the effort to export snow peas to the USA be focused on collaboration with Borassus Estates, Ltd. of Zambia.

SPS and "social regulations" are predicted[11] to become more stringent as consumers demand more assurance that food is safe and has been produced under conditions that guarantee the non-exploitation of children and the health of adult workers and the environment. In general, these non-tariff barriers to trade are enforced by the private sector, which view them as another means of heightening competition and gaining access to higher-value markets. Accordingly, exporters generally learn about these barriers through the demands of their buyers and learn how to conform to the regulations from private-sector training and inspection agents recommended by the buyers.[12] These non-tariff barriers are therefore a component of modern marketing systems and a major consideration when investigating new markets. Trade Hub efforts to help the industry investigate new markets and new products must give due consideration to identifying and understanding the required responses to such non-tariff trade barriers.

Market Data and Outlook. There is no category in the Harmonized Tariff System (HTS) system that covers baby vegetables. For purposes of this report, a set of vegetables with a "reduced in size" grouping were chosen to approximate trends for baby vegetables as a whole: green beans, carrots, and asparagus.

C1c(i). Green beans (Vigna spp., Phaselous spp.) fresh or chilled

World supply of green beans has increased by an average 11 percent per annum on average from 1998-2002. Total exports reached nearly 358,000 tons in 2002 with an average price of $750 per ton. Spain was the number one in export earnings with nearly $40 million received while Mexico was the top producer in terms of quantity, exporting more than 84,000 tons. Other top producers were Morocco, France, U.S., U.K., Holland and Kenya, representing a combined market share of 46 percent of world exports.

[11] See discussion by the Center for the Promotion of Imports from Developing Countries at http://www.cbi.nl

[12] See, for example, the descriptions of the program to assure Good Agricultural Practices established by the Euro-Retailer Produce Working Group (EUREP) provided at, http://www.eurep.org/sites/index_e.html. Exporters selling to many if not all European retailers must now certify that they are using Good Agricultural Practices (GAP) as defined by EUREPGAP. Exporters desiring to sell under this system hire private-sector firms to train them on the GAP and then pay third-party firms accredited by EUREPGAP to inspect and, if warranted, certify their compliance.

TABLE 5

SADC Exports of Green Beans by Volume and Value, 2002

(in metric tons and thousand USD)

Country	**2002**		**Destinations** (and tonnage)
	Volume	Value	
Zimbabwe*		3,151	U.K. ($3,105), Zambia ($43)
Tanzania	297	819	U.K. (290), Holland (7)
South Africa	497	277	Zimbabwe (209), U.K. (73), Mozambique (166), Angola (17)
Swaziland	369	119	Mozambique

*Zimbabwe does not report volume figures to COMTRADE, only value

Source: International Trade Centre TradeMap database, 2003

Southern Africa Development Community (SADC) exports of green beans were dominated in value terms by Zimbabwe in 2002, followed by Tanzania, South Africa and Swaziland. Table 5 shows the volume, value, and destination of these exports last year.

C1c(ii). Carrots

World demand for baby carrots has grown by 6 percent per annum on average over the 1998-2002 period. Total value of the world import market was estimated at nearly $413 million in 2002. The top importers are Canada, the US, and Europe with a combined import market share of 65 percent. Amongst the fastest growing import markets for baby carrots are Australia, Yugoslavia, Korea, Romania and Hungry, based on imports over the past five years.

World supply of baby carrots has increased on average 12 percent per year over the past five years. An estimated 1.5 million tons were exported at an average price of $267 per ton. The US was the top exporter in 2002 shipping 159,500 tons valued at $85 million, representing a 21 percent market share. Europe, Australia, China, Canada, and Mexico follow with a combined market share in terms of value of more than 65 percent.

South Africa is the main carrot exporter in the SADC region. It exported 2,309 tons valued at $801,000 in 2002. Exports to the UK comprised 40 percent of South Africa's carrot exports. South Africa also exported to Angola (448 tons), Mozambique (244 tons), Mauritius (205 tons), Zambia (184 tons) and Cote d' Ivoire (117 tons).

C1c(iii). Asparagus

World demand for baby asparagus has grown by 6 percent per annum on average over the past five years. The primary import markets are the U.S., Japan, Europe and Canada, which represent more than 75 percent of the world total. Nearly 195,000 tons valued at $504 million were imported worldwide in 2002.

World supply of baby asparagus has increased significantly over the past five years at an average annual rate of 22 percent. World export prices have been falling on average by 5 percent per annum over the same period, suggesting an oversupply. In 2002, 348,000 tons of asparagus were exported at an average value of $1,230 per ton. The top exporters in value terms were Peru and Mexico with a combined market share of 38 percent. Spain, U.S. France, Holland, and Thailand follow with a combined 35 percent market share. Countries who have significantly increased their exports of asparagus over the past five years are Canada, Mexico, and Switzerland.

South Africa and Tanzania are the only SADC countries that exported asparagus in 2002 according to COMTRADE data. South Africa exported a total of 587 tons valued at $517,000 to Germany, the UK, and Australia. Tanzania exported 4 tons to the UK valued at $13,000.

C1c(iv). Snow Peas (fresh or chilled)

World imports of snow peas have been growing by 8 percent per annum on average over the past five years. Total imports were estimated at nearly 165,000 tons in 2002 at an average price of USD 810 per ton. In 2002, Belgium was the largest importer of snow peas with a 15 percent share of world imports followed by the U.S. (13 percent), India (12 percent), Holland (10 percent), Japan (8 percent) and the U.K. (5 percent). The highest price per ton was paid by Norway ($5,263).

Some of the countries that have experience significant growth in imports of snow peas over the 1998-2002 period are Brazil (390 percent), Vietnam (277 percent), India (218 percent), and Indonesia (217 percent).

World supply of snow peas has grown 20 percent per annum over the past five years with an estimated 259,000 tons exported in 2002. Mexico is the top exporter in terms of quantity (124,644 tons), but Guatemala is the top exporter earner having received USD 9.7 million for its exports. Other major exporters are Holland, China, Spain, the U.K. and the U.S.

Countries that have posted a significant increase in snow pea exports over the past five years are Mexico (105 percent), Sweden (99 percent), Greece (89 percent) and India (89 percent).

Three SADC countries reported snow peas exports in 2002--Zimbabwe, South Africa and Tanzania. Table 6 shows the volume, value, and destination of these exports.

Table 6

SADC Snow Pea Exports by Volume, Value and Destination, 2002

(in metric tons and thousand USD)

Country	**2002**		**Destinations** (and tonnage)
	Volume	Value*	
Zimbabwe		6,106	U.K. ($5,268), Holland ($663)
South Africa	542	301	U.K. (149), Zambia (119), Zimbabwe (65), Holland (46), Australia (35) Switzerland (18), Germany (13)
Tanzania	32	124	U.K. (26), Holland (6)

*Zimbabwe does not report volume figures to COMTRADE, only value

Source: International Trade Centre TradeMap database, 2003

Vegetables: Zambia Export Growers Association (ZEGA), Luke Mbewe, Chief Executive
Lusaka, Zambia

Trade Hub efforts to facilitate increased exports of baby vegetables and cut flowers from Zambia must be undertaken in direct collaboration with Mr. Mbewe and ZEGA. According to Mr. Mbewe, ZEGA exported approximately 850,000mt of baby vegetables last annual period valued at over $34 million. Production in Zambia is increasing through proprietary farms and out-growers. They are also expanding the product line, having added okra and chilies, bringing their crop total to 12.

Ninety percent of the sales were to firms in the UK. They have also marketed to RSA supermarkets such as Woolworth's. Mr. Mbewe indicated ZEGA would welcome Trade Hub market research assistance to find markets deeper into Europe and to expand global coverage. Specifically, ZEGA wants to identify marketing agents or brokers to represent them in the new markets. They need off-season outlets during the European summer, when European production replaces imports. Current off-season markets include New Zealand, Australia.

Mr. Mbewe believes that small growers especially need marketing assistance: they need smaller markets than the large producers. ZEGA would like to develop the capacity of groups of small growers to export directly. Some small growers sell through Freshmark, which is owned by Shoprite and supplies Shoprite stores. Mr.

Mbewe identified the problems associated with shipping to South Africa as SPS and other technical barriers to trade (TBT). The Trade Hub team asked if ZEGA were interested in selling passion fruit and melon to South Africa. Mr. Mbewe replied: "Get SA buyers to meet with Agriflora and ZEGA by organizing incoming trade missions."

The Trade Hub recommends that a top priority effort should be expanding ZEGA's marketing channels deeper into Europe, Australia, New Zealand, and the Orient by assisting ZEGA and selected individual growers to identify and qualify new buyers in these zones. A special effort should be made to market snow peas in the US to: (1) establish the feasibility of marketing to America; and (2) develop market connections and experience that can be applied to other vegetable crops as USDA-APHIS regulations are met over the next two to three years. Snow peas are currently the only one of ZEGA's vegetable products that is permitted for import into the USA. Thirdly, the Trade Hub recommends that top priority be given to efforts to link Zambian producers to South African buyers, initially through established exporters such as Agriflora which is currently operating out-grower schemes among small-scale farmers. The Trade Hub should also investigate and report on RSA technical and non-technical barriers to trade.

Vegetables: Borassus Estates Ltd., Peter Barker, Managing Director
Lusaka, Zambia

Of the two large-scale producer/exporters of baby vegetables visited by the Trade Hub team during its visit to Zambia, Mr. Peter Barker appeared to be the most interested in participating in a Trade Hub effort to test the US market and expand marketing into Europe. Mr. Barker suggested it would be helpful if the Trade Hub could provide him with a list of marketing agents and information on their current sources of supply. He would then contact those that he felt provided the best opportunity. Mr. Barker said he would be interested in shipping to the US, and if the Trade Hub could identify a profitable buyer, he would begin a test marketing effort with 1-5mt of snow peas per week, packaged according to the buyers' specifications. He said that if the commercial arrangement developed, he would eventually expect to ship 60mt/wk.

Because of Mr. Barker's willingness to participate and because of the prospect of increasing exports to the USA presented by this opportunity, the Trade Hub team recommends that an effort to identify a US buyer for snow peas supplied by Borassus Estates, Ltd. should be a top priority component of its program.

Vegetables: TechnoServe Representative, Rui Santana
Chimoio, Mozambique

Mr. Santana provided the Trade Hub team with an overview of agricultural development activities in the Chimoio, Manica Province of Mozambique. He discussed cut flowers, baby vegetables, bananas, and mango. Mr. Santana described

the groundswell of interest and community-wide agreement to develop Chimoio International Airport into a regional export hub. He provided a Power Point presentation prepared by TechnoServe entitled *Manica Province: The Next Southern African Horticultural Export Cluster*; this presentation has also been used by the provincial governor to make the case for the development. (A copy can be obtained directly from Mr. Santana at Santana@teledata.mz or from the Trade Hub.)

Mr. Santana, as well as Mr. Hurlbatt of Vilmar Rose, told the Trade Hub team that Ed Whitfield and Monty Hunter have formed a company and will export the first baby vegetables from Chimoio this year. In addition to proprietary production, Whitfield and Hunter will also purchase baby vegetables from CTC, the Zimbabwean-run farm discussed above. The Trade Hub team could not meet with Whitfield and Hunter as they were out of town.

The Trade Hub team recommends that the combined set of opportunities unfolding at Chimoio accords top priority to efforts to facilitate them.

Vegetables: Compania de Tabac de Chuara (CTC), Keith Engelbrecht and Kevin Gifford, Owners/Managers
Chimoio, Mozambique

This commercial farm and the men involved with it have already been discussed above under the paprika subsection. Here, it is important to record what they told the Trade Hub relative to vegetables. They see a significant opportunity in baby vegetables for the European market (baby corn, broccoli, snow peas). They already have established production trials of sweet chili pepper, passion fruit, and papaya. They are converting one of the farm buildings to a pack shed for the baby vegetables and are arranging to have it inspected for EUREPGAP certification. They would be interested in production contracts with South African buyers. In discussing supply factors, they pointed to the fact that the former Zimbabwean production has collapsed and must be replaced. They noted that, out of 82 of their neighboring farmers in Zimbabwe, only 11 are still trying to farm in Zimbabwe. And they note that the size of these remaining farms has been reduced to acreages that are not economical for commercial agriculture. They say that they have better soil and better water on their new Mozambican farm than they had in Zimbabwe.

The Trade Hub team recommends that assistance to CTC should be given top priority not only because of the short-term potential for increased exports but also because of the opportunity it affords to be closely involved with individuals and firms that clearly will be playing large roles in the development of export agriculture at Chimoio. The first actions should be oriented toward linking this farm with high-value, large-scale buyers in the region, such as Freshmark.

Vegetables: Gomba Estates Ltd (GEL), Anthony Rowan, Export Manager
Arusha, Tanzania

Mr. Rowan believes that there are tremendous opportunities for expansion of vegetable exports from Tanzania. He indicated that he has outstanding orders from his buyers for snow peas that he cannot fill with current production. He has made extensive visits to underdeveloped lands in Tanzania and believes that land for expansion is available in great quantities. He believes the Southern Highland area of Tanzania will become a major vegetable production area in the future due to the cool temperatures and good soil and water. He believes the major constraints on exploiting these opportunities are financing, available experienced managers and employees, possible conflicts over water rights, and petty pilferage from the production fields. Mr. Rowan noted that a constraint on his company's increased use of out-growers is the high per-farm cost of having the farms certified by EUREPGAP, which costs about $1,000 per farm. Smallholders cannot afford it. He says this is an unintended consequence of Europe's desire for assured quality while wanting to help the smallholder; Europeans are working on a solution at present. Mr. Rowan indicated he would be interested in participating in the re-organization of the Tanzanian Flower Association (TAAFA) if it were expanded to include vegetable producer/exporters. He suggested the organization should be the "Tanzania Horticulture Association."

The Trade Hub team recommends that continued contact with Gomba Estates and Mr. Rowan is important because of the future opportunities for facilitating increased exports that it affords. Top priority should be placed on assisting the re-organization of the Arusha-area horticulture industry association and facilitating the inclusion vegetable producers/exporters in the organization. Information developed on additional markets and products flowing from an effort with ZEGA could be shared, under agreement with ZEGA, with Gomba Estates, Ltd.

Vegetables: Serengeti Fresh, Ltd., Ben Mutuku, Production Manager and Ziauddin Ali, Financial Manager
Arusha, Tanzania

Serengeti Fresh is one of two baby vegetable producers/exporters in the Arusha area (Gomba Estates is the second). According to Mr. Mutuku, Serengeti Fresh exported its first baby vegetables in 2000 (before Gomba Estates). The firm is attempting to expand production via out-growers and recognizes the problems smallholders have in paying for EUREPGAP certification. In fact, the firm will pay $7,000 in certification fees for two farms this year. Mr. Mutuku indicated the firm would welcome assistance from the Trade Hub to organize smallholders into cooperatives as a means of reducing EUREPGAP certification costs. The firm is a branch office of a Kenyan firm that handles most of the marketing functions. However, Mr. Ali said that the firm would welcome any marketing assistance that could be provided by the Trade Hub.

The Trade Hub team recommends that activities with this company should parallel those undertaken with Gomba Estates, namely, initial efforts should be oriented to organizational development at the smallholder and exporter levels. Secondly, Trade Hub market intelligence would be shared with Serengeti Fresh, Ltd.

Kilimanjaro Airports Development Company, Kilimanjaro International Airport (KIA), Godfry Mbakilwa, Managing Director
Kilimanjaro, Tanzania

As director of Kilimanjaro Airports Development Company, the company that operates KIA, Mr. Mbakilwa is interested in generating profits from the services provided by the airport. Because passenger services generate higher revenue than cargo (the airport charges $30/passenger and only about $900 per landing for cargo planes), he is more interested in increasing passenger use than air cargo services. However, he explained that until volumes of cut flowers and vegetables reach levels that justify chartered cargo planes, the best way to expand cargo capacity for horticultural products is to increase the number of passenger planes using the airport. Each new arrival implies space for 4-5mt of air cargo going out. Mr. Mbakilwa showed the Trade Hub team the airport's large, underutilized cold room, where the only product in the cold room was cut flowers from Tanzania Flowers, awaiting out-shipment.

Mr. Mbakilwa has commissioned Lufthansa Consulting to study the feasibility of setting up KIA as an air cargo hub, noting that Lufthansa Consulting had done the studies for cargo installations at Singapore and Dubai.The Trade Hub team recommends that further investigation be devoted to identifying actions to assist KIA develop into a cargo trade hub.

C1c(v). Bird's Eye Chili Pepper

The Trade Hub has an opportunity to assist two Malawian exporters of Bird's Eye chili to test the US market for their product. The product is relatively costly at $3/kg and thus a small, successful effort to enter the US market will have relatively high returns per unit of effort in terms of increased value of African exports to the US. Additionally, Bird's Eye chili has production and marketing advantages for smallholder farmers akin to paprika. Increases in export values will quite likely enhance smallholder welfare and contribute to the Initiative to End Hunger in Africa. An overview of the US spice market entitled: "The Spice Market in the United States: Recent Developments and Prospects," By Peter J. Buzzanell, Rex Dull, and Fred Gray, Economic Research Service, USDA, Agriculture Information Bulletin No. 709. 60 pp, July 1995 is to be found through http://www.ers.usda.gov/.

Bird's Eye Chili: Rab Processors, Ltd., Sai Kiran Josyabhatla, Commercial Director
Lilongwe, Malawi

Rab Processors, Ltd. is one of the premier agricultural exporters of Malawi and is quite open to participation with governmental and international efforts to develop Malawian agriculture and agricultural exports. Mr. Josyabhatla named several possible products for Trade Hub export facilitation, including: peanuts, paprika,

pigeon peas, guar gum, and Bird's Eye chili with chili having the greatest potential for a short-term increase in exports. Specifically, Mr. Josyabhatla requested Trade Hub assistance in identifying and qualifying a US supermarket chain that would be interested in purchasing 100mt of whole or ground Bird's Eye chilli per year. The next crop delivery is expected about July/August 2004. The freight on board value of Bird's Eye chili is approximately $3/kg; a 100mt deal therefore would be worth $300,000.

The Trade Hub recommends that an effort to link Rab Processors with a US buyer be a top priority effort because of the possibility of this leading to a significant increase in exports to America in the short-term. This initial effort would lead to stronger working relations with Mr. Josyabhatla and, quite likely, to additional export facilitation efforts.

Bird's Eye Chili: National Smallholders Farmers' Association of Malawi (NASFAM), Dyborn Chibonga, Chief Executive Officer; Duncan Warren, Crops Manager; Heshan Peiris, NASCOMEX General Manager
Lilongwe, Malawi

As mentioned in the discussion of NASFAM in the paprika subsection above, NASFAM also exports Bird's Eye chili. According to Mr. Chibonga, NASFAM is the largest exporter of Bird's Eye chilies from Malawi. Mr. Peiris, NASCOMEX General Manager, said that the last three to four years have been good, and indicated they are experiencing a 20 percent per annum increase in production and exports. Exports are currently being made to European countries (France, Germany, UK, etc.) through an agent in Holland. Last year, the organization exported 84mt of Bird's Eye chili. NASFAM sees this as a growth crop and hopes to find new markets.

The Trade Hub recommends that an effort to help NASFAM increase the quantity (through new markets) and value (though better testing and representation of the quality) of their Bird's Eye chili be made a high priority because:

- Increased exports are indicated by the recent trend
- There is synergism between this effort and one related to Rab Processors.
- Good working relationships can be applied to other products in NASFAM's product line
- A positive impact on smallholder welfare is predicted

C1c(vi). Grapefruit

Citrum Citrinos do Unbeluzi Paulo Negrão, Director and Alshadri (Alix) Negrão, Production Manager
Maputo, Mozambique

Every business support group and USAID/Mozambique officer visited in Maputo consistently recommended Mr. Negrão to the Trade Hub team. According to

TechnoServe/Mozambique, Mr. Negrão is leading the revitalization of the Mozambican fruit export business through his company Citrum Citrinos do Unbeluzi.

According to Mr. Negrão, Citrum purchased a state-owned citrus farm in August of 2002. Nine months later, the company exported 15,000 cartons of red grapefruit via Capespan (the RSA fruit export company) through the port at Maputo. He noted that Citrum's quality control system resulted in zero rejects at Maputo by Capespan and zero rejects on arrival in Europe. Citrum sells fruit rejected by its quality control system to a Swaziland juicer. The farm purchased by Citrum was previously state-owned and operated. The farm has 125,000 trees that had received no care and no irrigation for some time before Citrum took over. Citrum is rehabilitating these trees under the guidance of Alshadri (Alix) Negrão, Citrum's production manager, who is a specialist in citrus production. This past season the company had rehabilitated about 20 thousand trees, next year they should add another 35 thousand, then 45 thousand the next year, and so on until they have the full 125,000 in good producing condition. It is quite certain that production and export of these high quality Ruby Red grapefruit will expand rapidly over the next several years. According to TechnoServe/Mozambique COP Jake Walter and Market Linkages Specialist Steve Harris, the Citrum grapefruit comes into season during a period of scarcity in the northern hemisphere—the firm is having no problem exporting its grapefruit to the UK. The farm also has 25ha under bananas now, and expects to add more as they gain experience and market access.

Mr. Negrão told the Trade Hub team the best way it could assist Citrum would be to find additional markets for their Ruby Red grapefruit. He asserted that he will invest ten pallets of 55 cartons each of red grapefruit with the Trade Hub. That is, he will ship these grapefruit to a buyer identified by the Trade Hub as a trial shipment. Ten pallets will have a freight-on-board value of approximately $6,000.

The Trade Hub recommends high priority assistance to Citrum to find additional markets for their grapefruit because:

- Given its rehabilitating production base and the high quality of the grapefruit, it is quite likely that Citrum will continue to increase its exports of grapefruit.
- Given Mr. Negrão's willingness to participate in Trade Hub activities, it is quite likely that the Trade Hub will be successful in facilitating increased exports of Citrum grapefruit.
- Given Mr. Negrão's influence in Mozambique, successful collaboration with Citrum should open additional opportunities for Trade Hub actions with other products and other producer/exporters.

C1c(vii). Mango

Bytrade Tanzania, Ltd., Salum Diwani, Director
Dar es Salaam, Tanzania

Dr. Salum Diwani (Ph.D. in chemistry) directs a pharmaceutical and agricultural chemical import and distribution company. He is passionate about the potential for exporting mangoes from Tanzania and has begun organizing the development of a mango export industry at the firm and industry levels. At the firm level, he has recently begun the development of a new 200ha mango plantation. At the industry level, he has organized an association of mango growers, currently with 25 members, to promote collaboration and technology transfer on mango production and marketing issues. Dr. Diwani fits the model for a desirable partner/participant for Trade Hub export facilitation efforts.

Dr. Diwani, perhaps with the assistance of K. S. Mwasha, Director of Research and Planning, Board of Trade (BET), Dar es Salaam, has identified a niche market for Tanzania mangoes in the Middle East and Asia and has begun shipping to Muscat, Oman. The volume of export is still quite low. Last season only 75mt with a value of $125,250 were exported. His explanation for this niche market is that peak production of mangoes in countries like India, Pakistan, and the Philippines is March, April, and May, while peak production in Tanzania is November, December, and January. Thus, there is a great opportunity for Tanzania to fill the gap left by traditional Mid East suppliers India and Pakistan.

According to Dr. Diwani, other fruits that have good potential in Middle East markets are passion fruit, papaya, plums and avocados.

The Trade Hub team recommends that an effort to assist Dr. Diwani to develop a mango export industry in Tanzania should be a priority because:

- Dr. Diwani is an industry leader and will be an excellent participant. (Stated from a slightly different point of view, Dr. Diwani is leading the development of a new horticultural export industry and provides the Trade Hub an excellent opportunity to facilitate increased horticultural exports.)
- Production of mangoes is increasing as newly developed plantations come on-line, thus, volume is available.
- Working with Dr. Diwani provides an opportunity for the Trade Hub to assist in formation of a new industry association.
- Assistance to Dr. Diwani's will likely lead to opportunities to facilitate exports of other products.
- Assistance to Dr. Diwani's allows the Trade Hub to gain experience in Middle East markets that can be used to assist other exporters.

C1c(viii). Peanuts

Assistance to NASFAM and other exporters should focus on testing and certifying the aflatoxin levels in peanuts; this is suggested by a finding that modern standards will severely restrict African peanut exports. Otsuki et al. note that "the new harmonized European standard on aflatoxin—a common contaminant affecting agricultural

products—is estimated to cost African exporters over $670 million per year in lost nut and grain exports."[13]

National Smallholders Farmers' Association of Malawi (NASFAM), Dyborn Chibonga, Chief Executive Officer; Duncan Warren, Crops Manager; Heshan Peiris, NASCOMEX General Manager

As mentioned in previous descriptions of NASFAM, the organization helps its farmer members to produce and market peanuts. NASFAM recognizes three problems relating to peanut marketing:

1. The inability of the Malawi value chain to adjust to world market conditions
2. The problems with aflatoxins
3. Inadequate post harvest handling

As a first step in solving the aflatoxin-related problems, NASFAM suggests that the industry begin operation of a state-of-the-art laboratory that can test for aflatoxin in a modern way. NASFAM believes there is an opportunity for a private-sector laboratory to be established in Malawi to serve agricultural marketers in the region. Regional agricultural marketers would contribute to the capital cost of establishing the lab and provide a market for its services. NASFAM has some new laboratory equipment that is used to perform a relatively inexpensive test for aflatoxin and would consider donating the equipment to a cooperatively-owned new laboratory. The lab would provide quality tests on a number of agricultural output and input products. The effort to organize a regional laboratory would require direction by an institutional/business-development specialist, supported by technical specialists.

According to NASFAM, there are currently two organizations that can do some quality testing in Malawi (ADMARK, a parastatal; and the Malawi Bureau of Standards), but they are slow and costly. According to NASFAM, there is a new test for aflatoxin developed by ICCRISAT in India. The new test (ELISA) is reportedly 100 times faster and much less costly than the currently used gas chromatograph tests. However, the new test has not yet been recognized internationally. Until the new process is accepted internationally, it could be used (along with some new field test kits) to control quality within the NASFAM marketing channel and by other agricultural marketers for the same purposes. Testing the product as it moves through the marketing channel from farm to export warehouse would allow identification and solution of aflatoxin-related problems before commingling could contaminate large volumes of product. The more costly tests would be used only to confirm the quality of the product just prior to shipment to international buyers.

[13] "Saving Two in A Billion: A Case Study to Quantify the Trade Effect of Food Safety Standards," Tsunehiro Otsuki, John S. Wilson, and Mirvat Sewadeh, Food Policy (26) 2001.

The Trade Hub Team recommends that consideration be given to helping exporters develop a regional solution to the problem of testing quality of a range of agricultural commodities, including peanuts, as part of the horticulture export roadmap.

C2. Export-opportunity Products

In general, "export-opportunity" products are those for which actual sales abroad depend on meeting a series of conditions that may not be possible within a one to two year period. In general, these products are targeted for trade within Africa. In fact, the primary recognized opportunity is to link producers to South African businesses that will market the products via supermarkets or via newly established fresh-cut (prepared fruit and vegetable salads) products. One RSA company, AFGRI, has expressed interest in contract sourcing arrangements for a list of products, including:

- Sweet melons and musk melons
- Passion fruit
- Pineapple
- Kiwi fruit
- Strawberries, blueberries, and blackberries.

Firms such as Freshmark Africa, Ltd., which is owned by Shoprite, supply fruits and vegetables to supermarkets and are interested in sourcing these products from African suppliers.[14] This highlights a possibility that organized smallholder producers can supply traditional vegetables, such as onions and tubers, to sourcing companies for export to neighboring countries. In both cases, that of marketers of both fresh-cut and whole fruits and vegetables, the major concerns of the buyers will be ensuring that the producers deliver contracted quantities and quantities on schedule. This underscores the need for trusted third-party organizations to handle communication between the buyer and groups of smallholders, and to certify that the products are being produced on schedule using accepted good agricultural practices.

Business-support organizations such as ZEGA, Zambia Agribusiness Technical Assistance Centre (ZATAC), and Zambia Association for High-value Crops (ZAHVC) requested Trade Hub assistance in identifying, qualifying, and linking their client-producers to such buyers. Mr. Glyne Michelo, Acting Executive Director, Lackson Kanyemba, Manager Production and Market Development and Chewama Musonda, Marketing Officer and Agriculture Specialist of the Export Board of Zambia (EBZ) told the Trade Hub that the SADC is *the* growth market for Zambia. According to the EBZ, this trade is currently being restricted by high tariffs on imports of any products that are being produced in SACU countries. They estimate that Zambia exports $4 million in high-value vegetables to South Africa.

The Trade Hub team recommends that these products and opportunities be brought to the attention of stakeholders for possible short- and longer-term action. The Trade

[14] See policy statement to this effect on Freshmark's webpage, http://www.shoprite.co.za/default.asp?pageID=43736513.

Hub proposes to initiate, on a secondary priority level and as Trade Hub resources permit, action to:

- Investigate and report on technical and non-technical barriers to trade in these products
- Investigate markets and link producers to buyers

C2a. Melons and Passion Fruit

Given existing smallholder experience with melons and passion fruit, it is likely that organized smallholders could supply these products to fresh-cut operators and supermarkets under supervision of third-party production coordinators such as ZEGA, ZATAC, and ZAHVC. Mr. Luke Mbewe of ZEGA told the Trade Hub team that ZEGA would like assistance in organizing in-coming buyer visits to ZEGA, and to selected producer members of ZEGA, as a first step in developing business relations. Mrs. Miriam Nkunika, Chairperson, Zambia Association for High Value Crops told the Trade Hub team that ZAHVC would be very interested in developing markets for melon, since most of the organization's farmer-members produce melon for local markets. Mr. Keith Engelbrecht of CTC, Manica Province, Mozambique showed the Trade Hub team its test plot of passion fruit and indicated it only needed a contract buyer to begin production.

C2b. Onions and Traditional Tubers

Ms Bagie Sherchand, COP, Zambia Agribusiness Technical Assistance Centre, ZATAC, Ltd., challenged the Trade Hub to find buyers of traditional vegetables, such as onions and tubers, saying that ZATAC could handle production coordination and marketing linkages with the buyers on behalf of its client-farmers. Ms Sherchand suggested the Trade Hub focus on doing market surveys in Botswana and Namibia due to the number of relatively high-income consumers in those countries. Mrs. Catherine Mwanamuwambwa of Enviro-Oil & Colourants 2000, Ltd. showed the Trade Hub team her onion production fields and indicated she would be interested in discussing production of onion for South African buyers; but would prefer to give such contracts to other farmers in ZAHVC in order to focus on paprika. She indicated that flat land suitable for onion production was widely available around Lusaka.

C2c. Traditional Aromatic Rice

Zambia Trade and Investment Enhancement (ZAMTIE) and NASFAM in Malawi have identified aromatic rice as a uniquely African product that holds substantial potential for increasing smallholder revenues and increased inter-regional trade. The rice from Zambia is known as Chama, while the Malawian product is known as Kilombero. Both are reported to be high quality, aromatic, medium grain, fine rice. In both countries those interviewed stated that the rice is extremely popular even though it costs more than the regular rice. ZAMTIE reports that test marketing of aromatic rice in Zambia was a qualified success: supermarket supplies of the rice were sold out

"almost as soon as they reached the supermarket shelves." Additionally, the farmers' production response to the test indicated substantial room for increased supplies. The supply offered by one target group of farmers increased ten fold (600mt to 6,000mt) from the first test season to the following season. Chibembe Nyalugwe, Private Sector Development Specialist, ZAMTIE, noted that this indicates that the production potential is there; all that is needed is an assured market. NASFAM is also developing a marketing channel for aromatic rice produced by their members and reports that they are rationing sales to supermarkets in order to maintain an occasional presence of the product in the supermarkets throughout the year.

The Trade Hub recommends that a second-order priority effort be made to identify regional markets for the rice. A later effort would be to identify international niche markets interested in buying "high quality African aromatic rice."

C2d. Banana

According to TechnoServe/Mozambique, the country's war for independence virtually destroyed the Mozambican banana export industry. Prior to the war, banana was a major export commodity to neighboring countries, especially South Africa. The decline in the Mozambican industry stimulated a corresponding rise in the South African banana industry. Because Mozambique has a natural comparative advantage for banana production and can produce bananas during a longer season than RSA, it is predicted that banana production in Mozambique will continue to increase and will eventually regain much of the market it had with RSA.

According to TechnoServe/Mozambique this re-development of the Mozambican banana industry is constrained partially by trade barriers erected to protect RSA banana producers. TechnoServe's suggested model for re-development includes support for reducing trade barriers among RSA businesses that would benefit from freer trade. These businesses include major marketers of bananas and banana production inputs, such as banana seedlings and production technology. TechnoServe agronomists have identified a region near Sofala and Chimoio as being "almost ideal" for growing banana. Linking current production there with RSA importers via more streamlined customs procedures at the Mozambique/RSA border would facilitate current exports and encourage increased development of the Mozambican industry. The TechnoServe vision is for this to lead to the development of a major export industry targeting markets outside of Southern Africa.

The Trade Hub recommends that an initial second-order priority effort focus on expanding exports of Mozambican banana to the RSA. These efforts should begin with discussions with Domien van Buynder of Tropi-Net who, according to TechnoServe, is the "biggest banana wholesaler in South Africa."

D. Market Outlook for Some Products from the SADC Region that will be Export Ready in One Year or More

D1. Bananas (including plantains, fresh or dried)

The world import market for bananas has remained flat from 1998 to 2002 while world import prices have declined by an average 3 percent per annum over the same period. Total quantity imported is estimated at 13.1 million tons, valued at $5.4 billion in 2002. The US is the largest buyer representing 26 percent of world imports. Japan, the UK, Italy, Belgium, and Germany follow, comprising a combined total of 34 percent of the world import market. Some of the countries that have significantly increased their banana imports over the past five years are Albania (109 percent), Yugoslavia (105 percent) and Hungary (102 percent).

World supply of bananas has declined slightly over the past five years as well. An estimated 13.6 million tons, valued at $4.2 billion were exported worldwide in 2002. Production continues to be concentrated in Latin America with Ecuador leading in market share (32 percent of total quantity exported), followed by Costa Rica (13 percent), and Colombia (12 percent). Exports from the Philippines received the highest prices—$454 per ton, versus the average world price of $311 in 2002.

Some countries that have substantially increased their exports of bananas over the past five years are Norway (133 percent), Vietnam (63 percent), Lithuania (61 percent) and Yemen (48 percent). Although these exports are reported in the aggregate—both fresh and dried bananas comprise the total figure—it is assumed that countries such as Norway, which do not produce bananas, are in fact importing them for processing, then exporting the processed product.

Banana exports from SADC countries are confined to Zimbabwe, Swaziland, and South Africa based on figures reported to UNCOMTRADE. Table 7 shows the volume, value, and destination of these exports.

Table 7

SADC Banana Exports by Volume and Value in 2002

(in metric tons and thousand USD)

Country	2002		Destinations and tonnage*
	Volume	Value	
Zimbabwe*		2,817	Zambia (2,661), South Africa (155)
Swaziland	1,056	166	South Africa (all)
South Africa**	279	58	Mozambique (190), Zambia (46)

*Zimbabwe reports only value to COMTRADE

****South African export figures by destination do not equal total exported; some importing countries do not report their import data to UN COMTRADE**

Source: International Trade Centre TradeMap database, 2003

D2. Melons (includes watermelons and papayas)

World exports of melons have been growing slowly over the past five years, a mere two percent per annum on average. In 2002, 3.8 million tons were exported worldwide. The value of these exports, however, has been increasing by an average of four percent per year. The top exporter is Spain, which exported nearly 700,000 tons in 2002, representing a 26 percent world share. Mexico, Brazil, the US and Holland follow Spain with a combined total of 31 percent world market share. Countries significantly increasing the quantity of melons exported over the past five years are Canada (236 percent), Indonesia (168 percent), Vietnam (124 percent) and Colombia (97 percent).

World demand for melons has been relatively stagnant over the past five years, posting only one percent increase per annum on average. The most significant importer is the US, which imported 973, 583 tons in 2002, representing a 26 percent world market share. Other major importers are Germany, UK, Canada, France and Holland with a combined market share of 36 percent of world melon imports posted in 2002.

Countries that have significantly increased their imports of melons over the past five years are Yugoslavia (120 percent), Iraq (104 percent), Mongolia (69 percent), and the Philippines (50 percent).

In the SADC region, only South Africa and Mozambique exported melons on the world market last year. Mozambique exported 16 tons, valued at $1,063 per ton, to Hong Kong. South Africa exported 1,237 tons, valued at an average price of $637 per ton. More than one-third of South Africa's melon exports went to the UK Table 8 below depicts the volume, value, and destination of South Africa's melon exports in 2002.

Table 8

South African Melon Exports*

By Volume and Value in 2002

(in metric tons and thousand USD)

Destination	Volume	Value
United Kingdom	453	255,000
Mauritius	210	167,000
Hong Kong	113	48,000
Switzerland	72	65,000
France	68	70,000
United Arab Emirates	67	69,000
MOZAMBIQUE	51	11,000
Germany	39	14,000
Zimbabwe	29	20,000
Angola	21	21,000
Holland	18	13,000

*includes watermelons and papayas

Source: International Trade Centre TradeMap database, 2003

End of Part I

Part II – Export Regulatory Requirements

A. Creating a Reliable and Safe African Horticultural Product Image in the US Market Place: Addressing SPS and Other Regulatory Requirements

The African Growth and Opportunity Act (AGOA) and the South African Customs Union (SACU) free trade agreement provide African producers with potential to expand production and increase export competitiveness of fresh and processed horticultural products into the US market. These trade arrangements are expected to provide a means to increase foreign investment in the agriculture sector in Africa, and specifically, in the horticultural sector in coming years. Fresh and processed horticultural produce represent high value-added product lines with significant potential to earn foreign exchange and reduce poverty by generating employment and expanding small and medium-scale businesses. While there is considerable interest in the region to export horticultural products under AGOA, there are currently very few horticultural products being exported to the US, with the exception of South Africa.

Many bilateral USAID Mission programs and regional USAID programs, including the Southern Africa Global Competitiveness Trade Hub (Trade Hub) are providing support to enhance competitiveness at various levels of the horticultural supply-to-market chain. In particular, the Trade Hub is working with bilateral USAID missions in the region to develop a "cluster" competitiveness approach to enhance horticultural exports, both within the region and to external markets, including the US. The cluster competitiveness approach focuses on increasing efficiency, quality, and value within the supply to market chain from a regional perspective; that is, identifying capacity to produce based on country advantage; enhancing small and medium scale business participation and association support; removing technical barriers to regional trade; enhancing transport corridor efficiency; and developing market intelligence systems and quality assurance programs specifically for the international market. If they expect to compete in the US market, exporters must ensure that quality assurance adheres to sanitary/phytosanitary (SPS) standards, as well as other regulations, set forth by the US Department of Agriculture Animal and Plant Health Inspection Service (APHIS) and other US government bodies.

The aggregate export value of horticultural products (edible vegetables and fruit) into the US market from South Africa was approximately $44 million in 2002, representing a 7.5 percent increase over 2001. Thus far, very little has been exported to the US by other Southern Africa Development Community (SADC) countries, except for a small amount of snow peas from Zambia. The Trade Hub has concluded that other countries besides South Africa will have significant export opportunities if all SPS and other regulatory requirements can be met with some certainty. In other words, clear access to the US market will inspire producers and exporters to invest and expand their ongoing efforts to develop a competitive advantage in horticulture, resulting in greater exports and trade with the US.

For countries within the SADC and/or the SACU framework, Namibia, Zambia and South Africa have made official APHIS requests and Pest Risk Assessment (PRA) work is underway. These three countries have existing productive capacity to export, given that they are already exporting many identified fruits, vegetables and cut flowers to the European market. Assuming SPS and other US regulatory requirements could be met now, the

following represents estimated exports that could begin immediately into the U.S. market from these three countries:

Zambia. Approximately $6-8 million per year in fresh vegetables; this would represent about a 30 percent diversification away from the European Union (EU) market. An increase in productive capacity of about 15 percent per year could be expected as a function of access to the U.S. market

Namibia. Approximately $20-25 million per year in table grapes; this would represent some diversification away from the EU market and an increase in productive capacity as a function of access to the US market.

South Africa. Approximately $50-60 million per year in fresh fruit and vegetables; this would represent about a 10 percent increase over 2002 levels exported to U.S.[15]

It is likely that additional commodities from these three countries and/or other countries in the region could come on stream fairly soon—within a couple of years. Real progress on achieving SPS certification would demonstrate to producers and exporters that investing in productive capacity is worthwhile.

At the AGOA forum held in Mauritius in 2002, the US government agreed that the USDA/APHIS would post three APHIS experts in the field to assist governments and exporters in the region to address SPS requirements. While this effort has been highly welcome, regional exporters still perceive that the SPS process is not sufficiently responsive to their needs; the AGOA forum highlighted this issue. Part of the problem is that exporters do not clearly understand the SPS process or, for that matter, other regulations, such as FDA, CSI, etc. However, the more difficult problem is that neither local institutions and technical experts nor APHIS have capacity to address the full range of services needed now and that will be expected in the near future.

African exporters expect APHIS to be more responsive to them, but APHIS is not a development agency: it expects that African countries will apply their own resources and capacity to address the problem. However with the exception of South Africa, SADC countries have very limited capacities to address pest risk assessments and mitigation control measures utilizing science-based information systems as required by APHIS.[16] This is the

[15] Namibia, Zambia and South Africa made official requests to APHIS as far back as 1998 to address SPS for a given set of commodities. These requests are still being addressed by APHIS and it is unlikely that the process will be completed for another two years at a minimum, given the current level of effort being applied.

[16] The SAGC Hub prepared a Food Safety Annex for the SADC trade protocol in 2002, with the expectation that this would be used by SADC to assist countries to comply with necessary legislation, address country-level capacity building and strengthening of laboratories. The Food Safety Annex was never officially released by SADC. Part of the concern (unofficial communication) is that the capacity building implications for each country would require complicated legislative actions, institutional changes and budget allocations that were not realistic for governments in most countries to pursue.

crux of the regulatory development problem, requiring as much cooperation among USAID, APHIS, and key stakeholders in the region as is possible.

The Trade Hub recommends designing a program that will help African producers and exporters to ensure safe and reliable horticultural exports for the US and/or other markets. Such a goal is consistent with the objectives of AGOA, the World Trade Organization (WTO) and SACU. It is also consistent with the objectives for trade capacity building through USAID-backed trade hubs.

A regional approach with regionally-dedicated expertise would address the issue of capacity more cost effectively than a country-by-country approach by avoiding duplication of efforts. A regional approach for conducting PRAs will also be more effective at addressing pests and disease where they occur (cross-borders) and would promote regional cooperation. A regional approach on SPS would complement efforts to stimulate intra-regional trade and an integrated "African image." A regional approach should also take into account both SADC and Common Market for Eastern and Southern Africa (COMESA) countries to the extent that commodities are traded across these borders intra-regionally.

While a regional approach has strong merit, caution is also required to ensure that country-specific programs are taken into account. Where country-specific capacities either exist or can be utilized to assist the region, this capacity should be utilized and promoted. Caution is also required with respect to the notion of creating "a center of expertise" with institutional cost implications. A preferable model would be to identify and develop existing institutions and expertise dedicated to a regional approach.

On the US side, government agencies—and particularly APHIS and FDA—should agree on a truly integrated approach to priority SPS requests, and to developing regional capacity among exporters. The aim is a transparent process for achieving desired changes, and development of "home grown" capacity in Southern Africa to provide technical assistance and training to exporters.

Specific considerations to take into account for achieving a coordinated capacity building program include:

Step 1: A written agreement at the Washington level between USAID, APHIS, and/or other possible US government agencies on key principles for the way forward. Specifically, APHIS should agree to accept the use of institutional contractors and qualified African experts to conduct PRAs and develop mitigation procedures, and to give priority to the rule-making process. A written agreement should also spell out steps to build regional capacity.

Step 2: Conduct a design effort in the region as soon as possible, using a combination of APHIS, USAID consultants and regional expertise to identify specific activities that will

be undertaken and the level of effort required. The design effort could be completed in 4-6 weeks and could be spearheaded by the EGAT SPS IQC with support from APHIS. The implementation period would be about three years.

The Trade Hub suggests the following parameters for the design effort:

1. Consult with relevant African institutions, Ministries, USAID bilateral Missions and the Trade Hubs, and selected exporters with the objective of reaching consensus on specific activities. The activities should focus on 1) how to complete all official APHIS requests in a reasonable timeframe, i.e. Namibia, Zambia and South Africa, and 2) how to build capacity within a three-year timeframe, i.e. (how to conduct PRAs, mitigation, pre-clearance, and comply with other regulatory aspects, such as FDA, etc.). The actions should specify the level of effort needed, and identify how complementary programs in the region can support the effort.

2. While the program design should be regional overall, capacity-building must be responsive to country needs. The design team should consult selected country Ministries, Bureaus of Standards, Laboratories, etc. to determine individual country commitments to a regional approach. Consultations should also be carried out with regional institutions: e.g. COMESA, SADC, and the Forestry and Agricultural Biotechnology Institute in the Department of Microbiology and Plant Pathology of the University of Pretoria. (The idea of a regional center has recently surfaced from interested parties; however, it is unclear if this idea has been seriously promoted or if it represents a sustainable approach.)

3. Cost recovery mechanisms should be examined to ensure sustainability through the private sector beneficiaries of regional capacity building. The private sector should be expected to pay for services where and as possible. The feasibility of private/public sector partnerships should also be explored as a means of providing expert consultation, along the lines of APHIS consultations with US commodity groups.

4. Specific benchmarks should be defined, not only for building capacity, but also for completing high priority PRAs in selected countries. Benchmarks should reflect increasing ownership by the region over a three-year timeframe.

5. A web-based information and tracking system representing a “business-friendly” tool for exporters, potential investors, and SPS government bodies should be instituted. This would permit exporters and investors to track the status of their products, and permit government SPS bodies to extract technical information and establish dialogue between relevant parties.

6. The design should take into account other key markets and related SPS, or other regulatory requirements that exporters need to accommodate, such as EuroGap. Other donor efforts in the region, such as FAO, should be taken into account.

7. The design should reflect linkage and coordination with complementary horticultural cluster work underway by the Southern Africa Global Competitiveness Hub, and possibly similar programs from REDSO and the East Africa Hub. The Hubs should be viewed as providing strong complementary assistance and implementation oversight given their mandates to enhance competitiveness and trade. For example, the SAGH works to develop horticultural competitive clusters, including efforts to assist with market intelligence in the US and elsewhere to ensure that African products can be realistically and economically exported.

8. The design should balance the level of effort required for building local capacity, e.g. training local experts, with the importance of completing high-priority PRAs and any necessary mitigation measures in order to comply with existing country requests (Namibia, Zambia and South Africa). In other words, there is need to augment APHIS capability immediately to complete PRAs and mitigation that are already underway for Zambia, Namibia and South Africa. In the longer term, local technical experts can conduct PRAs. Thus, implementation will require front-loading of US consultants and APHIS expertise as local experts come on line during the first two years.

9. Once the design fieldwork is completed, the proposed specifics of the program should be vetted with all stakeholders. USAID and other US government agencies will need to agree on funding levels and modalities for implementation. The Southern Africa Global Trade Hub, as well as other Hubs, should be considered as a means to coordinate implementation of the program, working in concert with local and US government institutions. The design process should be completed by June 2004 and implementation should begin immediately thereafter.

The program result will be a clear understanding among exporters of the regulatory requirements (how and when they should initiate any given process to comply, how and where to seek appropriate assistance) and a reliable estimate, lacking now, of the timeline to achieve compliance so that business decisions can be made accordingly. In short, exporters would benefit by having a simplified and clear set of guidelines, endorsed by appropriate US government agencies, which would translate into a "business-friendly" set of tools. However, in addition to clear guidelines, exporters also need to draw upon expertise, preferably in the region, to conduct PRAs, develop mitigation procedures, design and implement pre-clearance programs and monitoring programs to ensure that food products will remain safe over the long term—a consumer demand in the US market.

B. Categorization of Export Priority Products

Table 1 lists the identified priority products and categorizes them according to their regulation by USDA-APHIS or FDA. In the case of products that are regulated by APHIS, the table indicates whether the product is admissible under permit or the status of an associated Pest Risk Assessment. Note that FDA regulations apply to all countries, while APHIS regulations apply on a country-by-country basis. If a country or product is not mentioned in Table 1, APHIS reports no PRA activity relating to the product or country. In the cases of asparagus in the RSA and snow peas in Zambia, the PRA status is not mentioned

by the APHIS webpage; however, the APHIS manual entitled Regulating the Importation of Fresh Fruits and Vegetables indicates that these products are permitted for import under APHIS permit.

TABLE 1

Categorization of Identified Priority Products by Import Regulation Agency, Import Status, Import Regulation, and Status of PRA

Products Regulated by FDA	Country	Import Status	Import Regulation
Paprika, crushed or ground pods or oil	All countries	Permitted	No permit required
Bird's eye chili pepper, whole dried or ground	All countries	Permitted	No permit required
Fresh Fruit and Vegetable Products Regulated by APHIS		Import Status	Permit Required
Product (common & scientific names)			PRA Status
Grape (Vitis vinifera)	Namibia	Not Permitted	Active
Asparagus (Asparagus officinalis)	South Africa	Permitted	
Baby Corn (Zea mays)	South Africa	Not Permitted	Active
Fine Beans (Phaseolus vulgaris)	South Africa	Not Permitted	Active
Asparagus (Asparagus officinalis)	Zambia	Not Permitted	Active
Baby Carrot (Daucus carota spp. sativus)	Zambia	Not Permitted	Active
Baby Corn (Zea mays)	Zambia	Not Permitted	Active
Baby Squash (Cucurbita pepo)	Zambia	Not Permitted	Active
Courgette (Cucurbita maxima)	Zambia	Not Permitted	Active
Fine Beans (Phaseolus vulgaris)	Zambia	Not Permitted	Active
Leek (Allium porrum)	Zambia	Not Permitted	Pending
Okra (Abelmoschus esculentus)	Zambia	Not Permitted	Pending
Pepper (Capsicum annuum)	Zambia	Not Permitted	Pending
Sugar snaps (Pisum sativum)	Zambia	Not Permitted	Pending
Snow Peas (Pisum sativum)	Zambia	Permitted	Admissible under permit
Other Products Regulated by USDA-APHIS	Country	Import Status	Import Regulation
Nursery Stock, including seeds	All countries	Permitted	Admissible under permit
Cut Flowers	All countries	Permitted	Admissible without permit

Sources:
APHIS webpage, https://web01.aphis.usda.gov/PRAStatusWeb2.nsf/Africa?OpenView, and manual entitled "Regulating the Importation of Fresh Fruits and Vegetables"
FDA webpage, http://vm.cfsan.fda.gov/list.html

C. General Procedures for Importing Into the United States

The US Customs and Border Protection (CBP) agency within the U.S. Department of Homeland Security is the single unified border agency of the United States and therefore the unified portal through which goods enter the US. CBP became an official agency of the Department of Homeland Security on March 1, 2003, combining employees from the Department of Agriculture, the Immigration and Naturalization Service, the Border Patrol and the U.S. Customs Service. The CBP publishes a series of publications to inform importers of the regulations and procedures with which they must comply to import goods into the US. The publications are generally available through the CBP's webpage www.customs.gov. Two publications of interest for this document are:

1. **Importing into the United States**, publication No. 0000-0502, a highly technical 86-page book providing extensive details on the subject of importing into the USA.
2. **U.S. Import Requirements**, publication No. 0000-0517, a pamphlet intended as a general explanation of import requirements for a person interested in establishing an import business[17].

All merchandise coming into the United States must clear Customs and is subject to a Customs duty unless specifically exempted by law. Clearance involves a number of steps: entry, inspection, appraisement, classification, and liquidation. The US Customs Service does not require an importer to have a license or permit. Other agencies may require a permit, license, or other certification, depending on what is being imported. Customs entry forms require the importer's IRS business registration number.

The importer must declare the dutiable value of merchandise. The importer must determine the classification number of the merchandise being imported from the Harmonized Tariff Schedule of the United States (HTSUS), issued by the United States International Trade Commission (USITC). The HTSUS codes are available on the USITC webpage at www.dataweb.usitc.gov/SCRIPTS/tariff/toc.html. The HTSUS prescribes the classification of merchandise by type of product, e.g., animal and vegetable products, textile fibers, and textile products. The importer must pay estimated duties and processing fees if applicable. Customs makes the final determination of the correct rate of duty. The duty rate of an item is tied to its HTSUS classification number.

Entry of goods into the US for commercial trade is classified as a formal entry by the CBP. Formal entries are generally commercial shipments supported by a surety bond to ensure payment of duties and compliance with Customs requirements. To make or file a formal entry (for imported goods going directly into the commerce of the United States without any time or use restrictions placed on them) the following documents are generally required:

[17] The information presented here is taken from the second publication (No. 0000-0517).

1. A bill of lading, airway bill, or carrier's certificate (naming the consignee for customs purposes) as evidence of the consignee's right to make entry.
2. A commercial invoice obtained from the seller, which shows the value and description of the merchandise.
3. Entry manifest (Customs Form 7533) or Entry/Immediate Delivery (Customs Form 3461).
4. Packing lists, if appropriate and other documents necessary to determine whether the merchandise may be admitted.

When a formal entry is filed, the importer indicates the tariff classification and pays any estimated duty and processing fee. A surety bond containing various conditions, including a provision for paying any increased duty that may be found to be owed at a later date, may also be required.

When the goods arrive at a US port of entry, the CBP inspects the shipment to determine its admissibility. Examination of goods is necessary to determine whether:

- The value of the goods is liable for Customs and their dutiable status
- The goods are properly marked with the country of their origin. Special marking or labeling may apply. Generally, imported merchandise must be legibly marked in a conspicuous place and with the English name of the country of origin. Certain specific articles are exempt from this requirement. (For further information see Customs Publication No. 539 Marking of Country of Origin on U.S. Imports.)
- The goods have been correctly invoiced
- The shipment contains prohibited articles
- The requirements of other federal agencies have been met
- The amount of goods listed on the invoice is correct, and no shortage or overage exists

In the case of certain plants and plant products arriving from certain nations, a USDA-APHIS permit to import is required. In the case of certain foods and drugs that are regulated by the US Food and Drug Administration (FDA), no importation permit is required; however, the importer must ensure that the goods meet the same standards as domestic goods, namely, that they are pure, wholesome, safe to eat, and produced under sanitary conditions. Additionally, all goods must comply with the US Public Health Security and Bio-terrorism Preparedness and Response Act of 2002 (PL107-188). These requirements are discussed below.

Once the CBP has determined that the shipment meets all these requirements, it is generally released into US commerce. If the shipment does not meet all requirements, the CBP has established procedures for the importer to protest the CBP decision and procedures relating to the disposal of the goods. In some cases, the CBP may require the importer to re-export the goods. Individuals importing goods into the USA are urged to avail themselves of the series of publications the CBP has developed to inform importers of procedures and regulations. As mentioned above, these publications can be obtained through the CBP webpage.

C1. USDA-APHIS Regulations

Certain plant products require import permits from the United States Department of Agriculture-Animal and Plant Health Inspection Service. A very good source of information on the import permit regulations and processes is the APHIS webpage http://www.aphis.usda.gov/. The information provided here was taken in large part from the APHIS webpage and/or documents downloaded from the webpage.

APHIS treats certain categories of plant products differently. The three categories that are of interest for readers of this document are:

1. Nursery stock, including seeds
2. Cut flowers
3. Fresh fruit and vegetables.

Nursery stock, including seeds. According to APHIS, USDA requires permits for the importation of admissible nursery stock, plants, and roots not subject to post-entry quarantine, and seeds of trees and shrubs, and also seeds covered in Part 319.37-6 under the authority of 7 Code of Federal Regulations (CFR) 319.37 . The importer applies for the permit by completing a Plant Protection Quarantine (PPQ) Form 587 that can be downloaded from the APHIS webpage. The permits can be issued only to US residents with valid US street addresses. The application process generally requires 10-15 working days for completion.

Cut Flowers. Effective September 25, 1997, USDA no longer requires written permits for the importation of cut flowers under the authority of 7 CFR 319.74, unless they have berries attached or are regulated under CITES. For additional information about the importation of cut flowers, APHIS indicates one should contact the Permit Unit at 1-877-770-5990**.**

Fresh Fruits and Vegetables. USDA requires permits for certain fresh fruits and vegetables (including fresh herbs and sprouts) that are imported from any foreign country. These fresh fruits, vegetables, and herbs must be intended for consumption--not for propagation. Only the approved plant part(s) of the fresh fruits, vegetables and herbs is allowed entry. Individuals interested in checking the permit requirements for specific fresh fruit or vegetables may do so in USDA's manual entitled *Regulating the Importation of Fresh Fruits and Vegetables*. This manual can be downloaded from the APHIS webpage. The manual indicates whether or not the specific product, to be imported from a specific country, can be imported without a permit or if it requires a PPQ permit for importation. If the product can be imported with a permit, the importer applies for the permit as discussed above.

In many cases, the product of interest is not listed among the fresh fruit and vegetable products that are admissible for importation from a particular country. Before APHIS can issue a permit for importation in these cases, it must conduct a Pest Risk Assessment. The

APHIS webpage explains that "As a signatory to several international trade agreements, including GATT (General Agreement on Trade and Tariffs) and NAFTA (North American Free Trade Agreement), the United States is obliged to make import and export phytosanitary decisions using science-based plant pest risk assessments. Failure to estimate risk and perform risk assessments because of "insufficient" data is untenable in the current international marketplace. International agreements demand consistency with respect to assessing risks." [18] The text on the webpage goes on to describe the PRA process in some detail.

A PRA can be initiated by an agreement between the US Government and the government of the country requesting assistance. The time required for APHIS to complete a PRA and associated rulemaking procedures leading to the issuance of import permits can be several months to more than two years. APHIS is currently conducting a large number of PRA related to products in a large number of countries. It reports the status of these PRAs on its webpage at http://www.aphis.usda.gov/ppq/pra/. The terms APHIS uses to describe the status of PRAs are as follows:

- Pending: PRA request was logged into the system.
- Active: PRA was either assigned to an analyst (or assessor or member of the staff) but not yet started or in some stage of preparation.
- Country Consultation: PRA was sent to Phytosanitary Issues Management and the document was shared with the appropriate country.
- Completed: PRA was posted to the Federal Registrar or is available on the web.

The status of each of the identified priority products that are the focus of this document are given in Table 1.

C2. FDA Regulations

The mission of the United States Food and Drug Administration is to enforce the Federal Food, Drug, and Cosmetic (FD&C) Act and other laws, which are designed to protect consumers' health, safety, and pocketbook. These laws apply equally to domestic and imported products. With the exception of most meat and poultry, all food, drugs, biologics, cosmetics, medical devices, and electronic products that emit radiation, as defined in the FD&C and related Acts, are subject to examination by FDA when they are being imported or offered for import into the United States. Most meat and poultry products are regulated by the U.S. Department of Agriculture. All imported products are required to meet the same standards as domestic goods. Imported foods must be pure, wholesome, safe to eat, and produced under sanitary conditions. Importers are advised to insure that their imported products meet these standards19.

[18] http://www.aphis.usda.gov/ppq/pra/commodity/cprafaqs.htm

[19] The FDA and USDA are encouraging food processors to install Hazard Analysis and Critical Control Point (HACCP) systems to assure the wholesomeness of food products. The FDA currently requires its use by domestic processors of fish and fruit juice and is considering developing regulations that would establish HACCP as the food safety standard throughout other areas of the food industry, including both domestic and imported food products. See FDA HACCP webpage page, http://www.cfsan.fda.gov/~lrd/haccp.html.

The FDA does not require a permit for the importation of regulated food products and does not publish a list of admissible products as does USDA-APHIS. To ensure that FDA is notified of all regulated products imported into the United States, the importer, or his/her representative, must file an entry notice and an entry bond with U.S. Customs (CBP) pending a decision regarding the admissibility of the product. FDA is notified by Customs of the entry and makes a decision as to the article's admissibility. If FDA does not wish to examine the entry, the product is allowed to proceed into United States commerce. Additional information can be found on FDA's Center for Food Safety and Applied Nutrition webpage, http://vm.cfsan.fda.gov/list.html.

C3. Bio-terrorism Act Regulations

The US Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (PL107-188) was signed into law by President Bush on June 12, 2002. Under the provisions of the Act, the FDA is required to propose and issue final regulations for the following four provisions of the Act:20

1. Section 305 (Registration of Food Facilities) - requires the owner, operator, or agent in charge of a domestic or foreign facility to register with the FDA no later than December 12, 2003. Facilities are defined as any factory, warehouse, or establishment, including importers. The Secretary [Department of Health and Human Services], through FDA, is required to issue final regulations addressing the registration requirements no later than December 12, 2003; however, food facilities must register with FDA by this date even if FDA has not issued final regulations. The Bioterrorism Act exempts farms, restaurants, other retail food establishments, nonprofit food establishments in which food is prepared for or served directly to the consumer; and fishing vessels (except such vessels engaged in processing as defined in 21 CFR 123.3(k)) from the requirement to register. Also, foreign facilities subject to the registration requirement are limited to those that manufacture, process, pack, or hold food, only if food from such facility is exported to the United States without further processing or packaging outside the United States.

2. Section 306 (Establishment and Maintenance of Records) - requires the Secretary, through FDA, to issue final regulations by December 12, 2003, to establish requirements for the creation and maintenance of records needed to determine the immediate previous sources and the immediate subsequent recipients of food, (i.e., one up, one down). Such records are to allow FDA to address credible threats of serious adverse health consequences or death to humans or animals. Entities subject to these provisions are those that manufacture, process, pack, transport, distribute, receive, hold or import food. Farms and restaurants are exempt from these requirements.

3. Section 307 (Prior Notice of Imported Food Shipments) - requires that prior notice of food shipments be given to FDA. The notice must include a description of the article, the manufacturer and shipper, the grower (if known),

[20] This information taken from FDA's webpage: http://www.cfsan.fda.gov/~dms/sec-ltr.html#sec305

the country of origin, the country from which the article is shipped, and the anticipated port of entry. The Secretary, through FDA, must issue final regulations by December 12, 2003. While FDA fully expects regulations to be issued by this date, if such regulations are not issued, the statute still requires importers to provide no less than 8 hours and no more than 5 days notice to FDA until the regulation takes effect.

4. Section 303 (Administrative Detention) - authorizes the Secretary, through FDA, to order the detention of food if an officer or qualified employee finds credible evidence or information indicating an article presents a threat of serious adverse health consequences or death to humans or animals. The Act requires the Secretary, through FDA, to issue final regulations to expedite court actions on perishable foods. No time frame is specified.

Unless exempted, these provisions apply to all facilities for all types of food products regulated by FDA, including dietary supplements.

Registration of Food Facilities. The FDA explains, via its Bio-terrorism webpage, how food facilities may register to comply with the provisions of the Bio-terrorism Act.21 The webpage explains three options for registering: via Internet, mail or fax. The webpage also provides a Registration Help Desk to assist individuals with the registration process.

Prior Notice of Food Shipments. The FDA webpage (updated in October 2003) explains "most of the prior notice information required by the interim final rule is data usually provided by importers or brokers to the Bureau of Customs and Border Protection (CBP) when foods arrive in the United States. The Bio-terrorism Act requires that this information also be provided to FDA in advance of an imported food's arrival to the United States. FDA will use this information in advance of the arrival to review, evaluate, and assess the information, and determine whether to inspect the imported food. FDA and CBP have collaborated on the implementation of the prior notice interim final rule. Nearly all of the current imported food shipments can comply by using CBP's Automated Broker Interface of the Automated Commercial System (ABI/ACS). Prior notice can be submitted either through ABI/ACS or FDA's Prior Notice (PN) System Interface beginning December 12, 2003."22

Maintenance of Records. The FDA webpage does not contain the same level of information relating to the Maintenance of Records as it does for Prior Notice and Registration of Food Facilities. For example there is no Help Desk relating to Maintenance of Records. The following text was copied from what appears to be the most up-to-date information on the topic.

"To minimize the economic burden on food companies affected by the proposal, FDA's proposals would allow companies to keep the required information in any form that they prefer. Records may be kept in any format, paper or electronic, provided they contain all the required information. The proposed rule also states that existing records can be used to satisfy

[21] http://www.fda.gov/oc/bioterrorism/bioact.html.
[22] http://www.cfsan.fda.gov/~dms/fsbtac13.html

the requirements of the regulations if these records contain all the required information. For persons other than transporters the proposed rule would require the records to contain the following information for each article of food:

1. The firm's name and the responsible individual representative of the firm that was the immediate previous source or the immediate subsequent recipient of the food.
2. The address, telephone and fax numbers, and e-mail address of that person, if available.
3. The type of food, including brand name and specific variety
4. The date received or released.
5. Lot number or other identifier number, if available.
6. The quantity and type of packaging.
7. The names, address, telephone number—and, if available, fax number and e-mail address—of the transporter who transported the food."[23]

D. Importing Into the European Union

Imports of certain plant products, including fruits, vegetables and cut flowers into the European Union (EU) must be accompanied by a phytosanitary certificate issued by the exporting country. The EU has published a list of plant products that can be imported into the European Union in its Directive 2000/29/EC. The Directive also provides prescribed treatments that must be applied to certain plant products, to destroy certain pests, before the phytosanitary certificate can be issued. A copy of the Directive can be obtained from the EU webpage.24

Within the EU, commerce in plant products is being subjected to an increasing number of regulations and market requirements25 that express consumer concerns relating to health and food safety, labeling, quality, good agricultural practices, human rights and the environment. While exporters in lesser developed countries are not required by the EU to conform to these internal regulations and market requirements, European importers increasingly are demanding compliance to enable the imported products to flow smoothly from importation into internal EU commerce.

While the EU has yet to promulgate regulations on Good Agricultural Practices (GAP), the Euro Retailer Producer Group (EUREP—a cooperation framework of leading retail organization in Europe) have developed EUREPGAP guidelines for horticultural products.26 EUREPGAP includes criteria on site management, fertilizer use, crop protection and pest management, harvesting, post harvesting and workers health and safety. The British Retail Consortium (BRC) requires that suppliers to the major British supermarkets comply with guidelines the BRC has established.27 In general, exporters of fresh fruit and vegetables who want to supply European supermarket chains have to show that the products have been

[23] http://www.fda.gov/bbs/topics/NEWS/2003/NEW00902.html.
[24] http://europa.eu.int/eur-lex/pri/en/oj/dat/2000/l_169/l_16920000710en00010112.pdf
[25] Unlike a regulation, a market requirement is not required by law. Instead, it is imposed by "the market," buyers and sellers demanding more assurance of quality and social accountability.
[26] See the EUREP webpage, http://www.brc.org.uk.
[27] See the BRC webpage, http://www.eurep.org/sites/index_e.html.

produced according to GAP and BRC. African exporters of baby vegetables are already in compliance.

All food processors in the EU are legally bound to have an HACCP system in place or they must be working on implementing a HACCP system. Therefore, the food industry in Europe will be reluctant to do business with food processing companies in developing countries that do not have a HACCP system in place. European companies will insist on HACCP implementation by their suppliers.

African exporters should expect to be subject to new marketing requirements over the next several years and should view these as additional competitive factors that assure access to valuable markets.

E. Importing Into the Republic of South Africa

The following text was taken from the Republic of South Africa webpage relating to importation procedures, http://www.nda.agric.za/.

Procedures to follow when importing plants and plant products into South Africa

1) Before import the importer should find out what conditions apply to his/ her goods
   - Crop?
   - From which country?
   - Quantity?
   - When?
   - How?
2) Consult the Agricultural Pests Act (Act No 36 of 1983)
3) Consult the import conditions published in the Government Gazette of South Africa
4) Contact

   Directorate Plant Health
   Private Bag X258
   Pretoria 0001
   Tel ++27 12 319 6102
   Fax ++27 12 319 6370
   E-mail jeanettea@nda.agric.za
5) The importer must request his/ her supplier or exporter in the source country to ask that country's NPPO if it can comply with the import conditions of South Africa
   - Standard gene source quantities - SA NPPO issues import permit
   - Commercial quantities
     - Importer submit extensive information to SA NPPO
     - Pest risk analysis with possible pre-import inspection and registration of open/ outside quarantine site/facility
     - SA NPPO issue import permit and protocol to importer
6) The supplier or exporter must apply for a phytosanitary certificate from the NPPO of the source country the supplier or exporter must present the goods to the NPPO of the source country for evaluation and inspection

7) The NPPO of the source country then issues a phytosanitary certificate if the goods pass evaluation and inspection. The supplier or exporter exports the goods within 14 days of the final inspection the supplier or exporter ensures that the goods are accompanied by the original phytosanitary certificate.
8) Plant inspectors from SA NPPO detain goods for evaluation and inspection
   - The importer must clear all documents with Customs at the Port of Entry in South Africa goods are released or
   - Post entry quarantine according to management plan.

F. A Proposed Outline for a "How-to" Manual for Potential Exporters of Horticultural Commodities

A. General statement regarding world-wide trade of agricultural commodities and food products

1. Best markets for African exporters--U.S., Canada and Europe
2. Traditional commodities vs. non-traditional commodities
3. Opposing seasons from southern hemisphere
4. Organically-grown opportunities
5. Price competitiveness

B. Where to turn for help in positioning an exporter for entering best markets

1. Regional and local help
2. Destination help

C. Finding a business importer/partner in international trade

1. Government trade sources
2. Non-traditional sources
3. Making a selection from a short-list of candidates
    a. Criteria for determining best importer/partner
    b. Validating selection
    c. Sequence of events leading to first shipment
    d. Evaluating partnership
    e. Maturing of partnership relationship
4. Trade shows
5. Trade associations
6. Internet websites

D. Business decisions to be made jointly

1. Terms of sale (using INCOTERMS)
2. Letters of credit
3. Phytosanitary certificates
4. Other documents required

E. Decisions to be made at origin

1. Pre-harvest issues
2. Harvesting issues
3. Inputs sourcing/cost

F. Post-harvest handling of agricultural commodities

1. Grading
2. Packaging
3. Labeling
4. Meeting government sanitary and phytosanitary standards
5. Meeting industry quality standards/pathogen control
6. Meeting environmental, social and human rights standards
7. Meeting food safety standards
8. Meeting organic standards
9. Temperature management

G. Transport options

1. Air freight shipments
2. Sea freight shipments
3. Intermodal shipments
4. Shipments by truck
5. Shipments by rail
6. Freight forwarders
7. Brokers

H. What happens when arrival condition/quality does not meet expectations

1. Notice of problem
2. Destination inspection--government

3. Failure disposition options--rejection
4. Destination inspection--importer
5. Quality disputes
6. Marine insurance
7. Dispute resolution
8. Rejection insurance

I. Origin regulations and infrastructure--Zambia, Tanzania, Malawi, Mozambique, South Africa

1. Ministry of Agriculture
2. Ministry of Trade
3. Standards Bureaus
4. Exporter requirements
5. Grower/exporter associations

J. U.S. Regulatory Agencies controlling shipment condition, food safety, bioterrorism considerations and requirements

1. National Food Safety Programs
    a. FDA
    b. USDA
        1) Application for permit
        2) Pest risk analysis
        3) Mitigation options
        4) Rulemaking procedure
    c. EPA
    d. CDC
    e. Homeland Security--Customs and Border Protection

K. New organics regulation

a. Organics Trade Association
b. USDA

L. Canadian Regulatory Agencies

a. Health Canada
b. Agriculture and Agri-food Canada

M. Canadian Commodity Associations

N. European Union Regulatory Agencies

1. New Food Safety Agencies
2. Individual country regulations

O. Private sector quality standards

P. Auction markets/wholesale markets

a. Fresh fruit and vegetables
b. Major wholesale market locations
c. Cut flower auction

Q. HACCP in food processing

a. Comparison with ISO 14001
b. Required use/recommended use

R. Target commodities--specific market requirements/unique characteristics

a. Cut flowers
b. Melons
c. Citrus
d. Fresh vegetables
e. Paprika
f. Chili peppers
g. Ground nuts
h. Tropical fruit

S. Import duties

a. HS codes
b. AGOA/ACP duty-free conditions

T. How to keep up-to-date with regulation and market changes

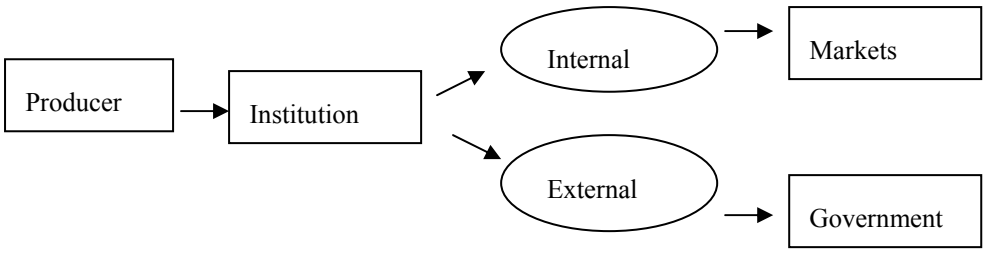
U. Bibliography of publications and sample forms

End of Part II

Part III: Building Institutional Capacity to Enhance Small and Medium Enterprise Horticultural Export Performance

A. Introduction

This report provides an assessment of institutional capacity in the horticulture subsector of the Trade Hub's four focus countries: Malawi, Mozambique, Tanzania and Zambia. "Institutions" for the purposes of this report are those entities that act as intermediaries between producers and distributors/sellers (the "internal" horticulture value chain), as well as between producers and related outside bodies such as government regulatory agencies (the "external" value chain—see graphic illustration below). The particular focus of the Trade Hub assessment team was those institutions in the high export potential commodity value chains, that is, paprika pods, powder or oil; cut flowers; baby vegetables; bird's eye chili pepper; grapefruit; and mangoes.



The information presented here was gathered during a Trade Hub-team visit to the four targeted countries in November 2003. The team examined institutional constraints and opportunities in providing support to developing small and medium enterprises (SMEs). A methodology for building capacity in the institutions was articulated, and activities planned to improve institutional performance.

It should be noted that SME development was not a direct object of the team's efforts, though these businesses will surely benefit from access to strong associations, consolidators, nongovernmental organizations, and business development service (BDS) providers. Instead, the Hub team was looking for clear objectives and vision in institutional leadership, along with commitment to, and resources for, service provision to constituent SMEs. Unfortunately, the team found many weaknesses in institutional ability to manage and/or deliver quality services. An overview of institutional capacity is presented below.

B. Assessment of Horticulture Sector Specific Institutions in Focus Countries

In Zambia and Mozambique the major components in the horticultural value chain seemed to be well in place and operating smoothly. Small producers appeared to be organized and

attached to associations. Larger firms were linked to those associations, and were also members of broader associations. One large business owner in Zambia who had worked her way up from humble beginnings stated, referring to organizational assistance, that "we have been trained to death"– clearly she feels this help is and no longer needed. And, if help were needed to start new institutions, the expertise was at hand locally.

This is especially true with regard to the type of organizations the Trade Hub is seeking to support in the next 10 months. The Zambia Export Growers' Association (ZEGA) has a refined system of support at all levels of the value chain. They are providing an array of assistance to businesses of all sizes in a large geographic area. They have full time staff, standard policies and procedures, and apparently means for sustainability.

Also in Zambia there are well-established commercial farms and well-run associations that have developed their small farmers/out-growers over a long period of time, and that are acting as consolidators—providing, mainly, a permanent market and other services to the SMEs. There are others that are getting started and probably won't be prepared to enter an export market soon, such as the potato farmers being supported by ACDI/VOCA in the eastern and northeastern areas of Mozambique. Specifically, these groups are:

Those exporting, or ready to export, with good capacity in place:

1. ZEGA (32 commercial farms with many outgrowers)
2. York as a consolidator (3 commercial farms with outgrowers)
3. Cheetah as a consolidator (25,000 smallholder farmers)
4. Enviro as a consolidator and linked closely with Zambia Association of High Valued Crops (1500 outgrowers)
5. FreshMark as consolidators (numerous outgrowers supplying Shoprite super markets)
6. Zambia Association for High Valued Crops (5 promoters with 500 outgrower farmers)
7. Farmers assisted by Zambia National Farmers Union
8. Farmers assisted by Export Promotion of Zambia (mixed bag of assistance)

Those not yet exporting, requiring assistance with capacity building:

1. CLUSA (Cooperative League of the United States) small farmer "Depot" scheme
2. ZATAC (Zambia Agribusiness Technical Assistance Center) small farmers of traditional crops (an array of services to small groups, to include financial support)
3. ZAMTIE (Zambia Trade and Investment Enhancement Project) working with farmers who are awaiting sanitary/phytosanitary (SPS) clearance

The main geographic focus during the Mozambique visit was the Manica region, which has experienced substantial development in the farming sector as a result of the mass exodus of farmers, equipment, and technology from Zimbabwe. That technology includes the capacity

to establish and operate institutions (associations) that provide services demanded by members. They are:

Those exporting, or ready to export, with good capacity in place:

1. Former Zimbabwean farmers in Manica generally (e.g. Companie de Tabac de Chuara, CTC) are providing support to the SME farmers who are grouped in informal associations. Although the main commodity is tobacco, the institution works with a wide variety of farm products.
2. Paolo Negrao farm. A very large commercial concern that acts as consolidator of a variety of farm products.
3. Optima Industrial Limitada (Pine Pierer) 2500 outgrowers of sunflower, essential oils, paprika. Mainly providing consolidator services.

Those not yet exporting, requiring assistance with capacity building:

1. ACDI/VOCA-assisted potato growers groups
2. Technoserve-assisted banana and tangerine growers
3. CLUSA-supported paprika farmers

Many of the farmers and associations listed above state that they are not in great need of capacity building; rather they say they have a strong need for a "third party production coordinator." This person would be the link between producers and institutions and markets, and would ensure that the required volumes and standards were being met. Thus capacity building is attained as a spin-off of marketing activities, the approach that is in most demand[28]. A marketing approach would still result in more quantifiable business linkages, both backwards and forwards (the exception would be technical assistance provided to ZEGA in planning and implementing their support to regional associations—see section C below).

Tanzania and Malawi differ markedly from Zambia and Mozambique. Except for NASFAM, the institutions examined seemed to either be non-existent, or suffering in their capacity to deliver needed services. In all cases, there was a strongly expressed need for institutional development, with recognition of the value this could bring to the marketing chain.

The team found much evidence that institutional capacity building is very much needed in Tanzania, and that expertise to accomplish this is lacking. Flower growers in Arusha provide a good example: they attempted to start an association but it collapsed after a short period (the founders lacked planning and commitment at start up). All flower growers visited pleaded for capacity building assistance.

[28] The question of who in the value chain would pay for this person's services is open. One solution is offered by the GAPI/Florarama loan scheme in Mozambique that requires, as part of the loan process, the hiring of a third party coordinator to provide production coordination to farmers and associations to ensure that the farmers are being as productive as possible and provided on-time delivery in the require amounts and quality.

In Dar es Salaam, the Tanzania Chamber of Agriculture and Livestock (not to be confused with the Chamber of Commerce and Industry) exists only in name. There is a good contingent of stakeholders, but they have little understanding of the specifics regarding institutional development and capacity building, and whom to approach for assistance. (The Chamber would necessarily be a somewhat complex institution, as it includes a range of subsectors; the stakeholders would be encouraged to divide an umbrella institution into subsector-specific affiliates.)

Also in Tanzania there is an incipient mango grower association (this could be a subunit of the Tanzanian Chamber of Agriculture and Livestock, as many of the stakeholders are the same). Mango production is on the rise in the area and growers have expressed a need to develop a network. Stakeholders understand the benefits of developing institutions and are eager to see them established. The main intent (based on stated need) would be to assist farmers in consolidating and marketing their produce.

In Arusha large vegetable buyers (the main one being Serengeti Fresh) are asking for help in organizing the many small, out-grower farmers. As markets increase so does the need for more, better-organized farmers. The large buyers are willing to assist with this endeavor realizing the potential win-win result of their involvement. It appears that there are some informal groupings already that could be further developed to provide the services demanded.

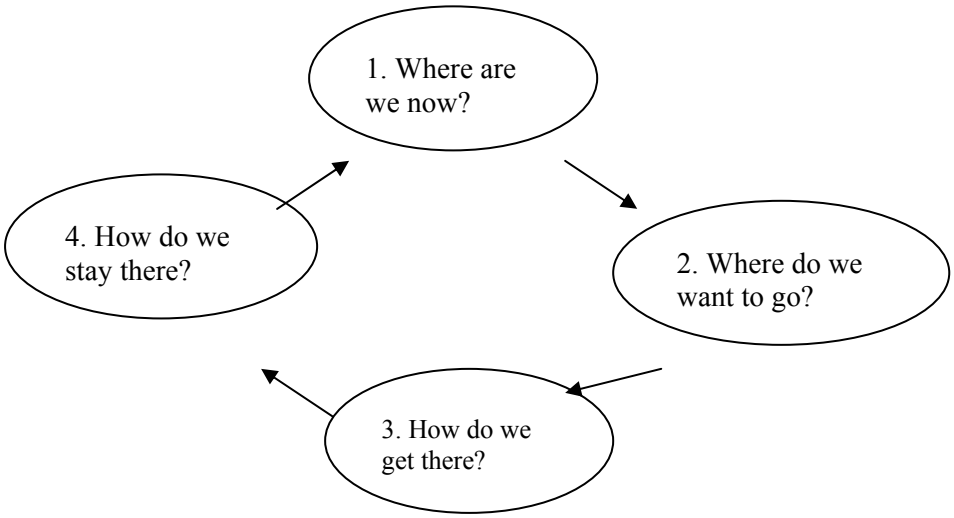
In Malawi the main institution building issue relates to the establishment of a regional crop-testing laboratory. Led by NASFAM, a lab has been funded, and all the equipment has been purchased, but the stakeholders are not able to agree on the particulars related to operation and management. In all cases, those interviewed clearly stated a desire for assistance in building their institutions. *This intervention differs somewhat from the others in that it focuses on a one-off activity that is intended to bring stakeholders together to finalize the details of starting the testing lab. There seems to be good potential for the lab to provide services on a regional level.*

C. Zambia Export Growers' Association as a Regional Capacity Building Institution

Established in 1984, ZEGA is a well-run association that offers a wide range of services to its members. It is working mainly with the cut flower and vegetable value chains. The association has good experience in shipping commodities through their Transport Logistics Unit. ZEGA has a vision of regional interaction, and sees the importance of coordinating production and marketing among various countries of the region. They also have a training center—NRDC/ZEGA Training Trust— that includes a commercially-run training farm. The training center can transfer relevant knowledge that can be of great benefit to others in the region.

The Trade Hub strongly recommends that ZEGA take a leading role in the development of a network of associations that can serve the horticulture value chain regionally. The Hub will provide technical assistance to ZEGA so that it can manage the challenges and complexity of such an endeavor. The result would be a win-win situation for both ZEGA and the regional associations. The regional associations would gain from ZEGA's experience and expertise, while all would benefit in the areas of production and marketing – resulting in significant increases in both.

The Trade Hub would begin with helping ZEGA and its target institutions to understand and articulate network capacity building needs. Starting from a general assessment, efforts would progress to defining the specifics of a sound internal operating environment (human resources, physical resources, finances) and external operating environment (organizational framework of the subsector, government policies and regulations, donor mandates). Institutions will be asked to analyze their position in the value chain, and answer these questions:



Through a standardized procedure ZEGA—Trade Hub can lead the stakeholders in elaborating answers to the four questions above and in developing an overall plan for capacity building. This procedure is not an end unto itself, but a dynamic never-ending process. After the initial capacity building, there should be periodic re-assessment starting from number "1" (above) and re-developing plans for further refinements.

As mentioned previously the objective of the Hub's institutional capacity building would be to increase the growth and stability of the horticultural subsector as a whole through expanded export markets. More specifically, benefits of the institutional capacity building for the Hub's targeted horticulture subsector would include the following:

1. **Improved internal operations** through greater communications between and among producers and others in the value chain. The institution can provide assistance or

coordinate communications through a technology-transfer sharing scheme among members. This will be especially helpful to SME farmers who supply consolidators or act as out-growers to large firms.

2. **Lobbying and advocacy** to improve the external operating environment. This would relate to the role of networked institutions in working with government on an enabling business environment.

3. **Coordination of marketing efforts** to link producers and buyers. The institutions' intermediary role would be extremely beneficial to SMEs who normally have little information related to markets. The SMEs could benefit from information related to buyer's specifications (e.g. specific crops, varieties, volumes, etc.) and could also be linked with new buyers/markets.

4. **Development of business development services** by identifying weaknesses in the value chain and determining ways to address them.

In these ways, institutions can fill the gaps in the operations of the SME. In addition, the efforts of the institutions can lead to the creation of more jobs as businesses provide better and larger volumes of products to larger markets.

D. Methodology for ZEGA—Trade Hub collaboration

The Hub will work with ZEGA to develop a standard six-step approach to capacity building in target institutions. These steps are as follows:

D1. Assessment of institutional constraints and opportunities

Assessments of the institutions in the Hub's target countries are based on reports previously written by Hub staff, various trip reports, and the experiences of a Hub team's recent visit to the target countries in November of 2003. More specific individual "health checks" should be undertaken as an initial step in the Hub's capacity building activities. The health check will be designed as a standardized tool that provides specific information on developmental needs in the institution, including management, operation/service delivery, finances, audits, and planning for sustainability.

D2. Determine actions to ameliorate constraints and capitalize on opportunities – planning and timelines

Specific assistance will derive from the health check analysis. The assistance plan will be clear and detailed, and will consider all resources (including partners) required to address

needs. Planning will be undertaken with a clear view toward the sustainability of the capacity building, and for periodic reviews and upgrading of the institution's capacity.

D3. Develop tools and material to be used in the assistance plan

Tools will be developed for use in the main effort of the capacity building. They will include:

- Initial health check forms and procedures
- Planning matrix for identified interventions (with timelines, resources needed, stakeholders, etc.)
- Training modules for assistance, e.g., developing mission and vision, organizational framework, good governance, service provision, membership promotion, financial management and planning for sustainability. In addition there will be other forms and materials developed for use by the institutions in their operations
- Forms and procedures to be used in follow-up activities. The main intent here will be to determine the impact that the Hub's interventions have had on the institution and the members of that institution.

D4. Implementation of activities

Based on the assistance plan, the implementation of activities will be undertaken with ZEGA and with the full participation of stakeholders. The Hub will take a supporting role, while ZEGA obtains specific assistance from local partners, as appropriate (members or potential members of the institution, donor agencies, government departments, etc.) Roles and responsibilities will be clearly defined and timeframes and outputs will be monitored. All activities will be done in a manner that insures sustainability, for example making certain that there are people and other resources available to provide continuity.

D5. Follow-up monitoring of institutions

A system will be developed and put in place to determine the impact of ZEGA and Hub support. Some elements of the initial health checks will provide baseline information for an institution's capacity. A monitoring form based on the baseline information will be used to determine the impact of the capacity building. The monitoring should be carried out at regular intervals after the main intervention.

D6. Work with partners

In every target country there is an array of potential partners that the Hub can work with in capacity development efforts. They range from USAID Missions, donor projects, government bodies, private sector organizations, NGOs, etc. It is extremely important that these partners be identified and urged to collaborate with ZEGA. This will ensure local

participation, which should have a positive effect on the sustainability of the institutions we assist. Whenever possible, an effort will be made to involve the private sector so as to ensure that target institutions are operated in a business-like manner, ensuring greater potential for success. The USAID missions will be the first point of contact; others may include PESA, ZAMTIE, ZATAC, NASFAM, Technoserve, SAIBL.

E. Specific Plans of Action to Expand Exports of Priority Products

The institutional capacity building interventions outlined below are all linked to the priority commodities that have been identified by the Hub's horticulture team. These interventions will impact on the various parts of the value chain enabling greater, better-organized production, leading in turn to larger export markets.

E1. Service Delivery: Zambia Export Growers' Association

As we are proposing ZEGA as the lead entity in the provision of capacity building regionally, the Hub's first order of business will be to work with ZEGA to ensure that its own capacity is sufficient to take on the task. Hub support to ZEGA would include:

1. Helping to develop a proposal for the regional networking effort
2. Assistance in acquiring needed resources
3. Developing standardized tools and materials for capacity building methodologies
4. Liaising with local partners
5. Developing monitoring systems for measuring impact

Country focus is on Tanzania and Malawi. The main areas would be Arusha and Dar es Salaam, Tanzania, for four institutions; and Lilongwe, Malawi, for the one lab-testing meeting. ZEGA and Hub would coordinate assistance with Technoserve, Zamtie, PESA, etc. The four primary interventions would initially be one week of workshops/meetings, followed by scheduled support. Follow-up support will require a maximum of two days after good planning with partners. It may be that ZEGA is not the most appropriate choice for the final intervention, and that this may need to be done with another partner. The Hub could coordinate logistics from headquarters, develop workshop materials, and coordinate follow-on activities with ZEGA, in conjunction with other partners.

E2. Tanzanian Flower Association (TAFA)

Action: Reviving of the Tanzanian Flower Association (TAFA) by providing support institutional development.

Stakeholders: Former Tanzania Chamber of Commerce and Industry (TAFA) members – ZEGA, Tanzanian Chamber of Commerce and Industry Arusha (TCCIA), SAIBL, Technoserve

Results: The flower growers in this area are currently operating in their own vacuums. They all agree that collaboration would be a good idea. A representative body of Arusha flower growers can engage in activities that will be mutually beneficial, such as buying of inputs in bulk, marketing to those that require larger quantities, sharing technical expertise, lobbying the government with one voice. An important overall result will be an increase in production and related export markets.
Comments: TAFA got off to a bad start initially and people quickly lost interest. Growers feel it would be a good idea to revive the Association and develop some good governance skills among the members. The person last responsible was reported to be Hans Bart of Arusha Cuttings.

Specific Activities to be Undertaken

From Hub headquarters (by Hub staff in coordination with ZEGA and local partners):

1. Roles and commitment of ZEGA/partners
2. Work with partner's handling of logistics for capacity building sessions
3. Development of appropriate training and development materials

At the site (ZEGA/Local Partners in communication with Hub staff):

1. Baseline data Health Check of the existing institution
2. Organizing a workshop for the general stakeholder group – explain general details and encourage commitment
3. More intense planning meetings with key persons in the institution – develop vision/mission statements, organizational format, operating policies and procedures, financial management, plans for sustainability
4. Validation workshop for general stakeholder group
5. Implement planning

From ZEGA headquarters (with support from the Hub):

Follow-up monitoring with key stakeholders

E3. Tanzania Chamber of Agriculture and Livestock

Action: Assist in building capacity of the Tanzania Chamber of Agriculture and Livestock

Stakeholders**:** ZEGA**,** BYTRADE, Board of External Trade, DAI-PESA

Expected **:** Better organized sector that can benefit form collaboration among the various subsectors mainly to promote their ideas and needs, and in the areas of organizing markets.

Comments**:** This Association is in its nascent stage and will be the overarching institution for various other sub-associations. The sub-associations will be providing more production and marketing services to their membership.

Specific Activities to be Undertaken

From Hub headquarters (by Hub staff in coordination with ZEGA/Local Partners):

1. Determine roles and responsibilities of ZEGA/partners with firm commitments
2. Work with partners to handle logistics for capacity building sessions
3. Develop appropriate training and development materials

At the site (ZEGA/Local Partners in communication with Hub):

1. Baseline data Health Check of the institution as it currently exists
2. Organizing a workshop for the general stakeholder group – explain general details and encourage commitment
3. More intense planning meetings with key persons in the institution – develop vision/mission statements, organizational format, operating policies and procedures, financial management, plans for sustainability
4. Validation workshop for general stakeholder group
5. Implement planning

From ZEGA headquarters (in communication with Hub):

Follow-up monitoring with key stakeholders

E4. Tanzania Mango Growers

Action**:** Assist in the development of the Mango Growers' Association
Stakeholders**:** ZEGA**,** BYTRADE, Board of External Trade, DAI-PESA

Expected results**:** Better organization of the mango growers, dealing with issues of inputs, markets, technology etc. as a cohesive group. Market assessments indicate a potentially large market that could accommodate many new SMEs.

Comments: The Mango Growers' Association is just starting with 25 members. This Association would be a sub unit of the Tanzanian Chamber of Agriculture and Livestock. There may be an opportunity to seek the assistance of the South Africa Mango Growers' Association (who have had a relationship with the Hub) in this capacity building effort.

Specific Activities to be Undertaken

This would be a replica of the work with the Tanzania Chamber of Agriculture and Livestock and could probably be done at the same time with some of the same stakeholders.

E5. Arusha Vegetable Producers

Action: Work with Serengeti Fresh to organize their small-holder farmers of fine baby vegetables.

Stakeholders: ZEGA, Serengeti Fresh, TCCIA

Results: Organizing the farmers will contribute to the streamlining of production and post-harvest activities. The farmers association will act as a central body for purchasing inputs and marketing, and act as a voice in dealing with buyers, government officials, etc. The association will also be a link between the individual farmer and the buyer(s). This link will,

among other things facilitate; specific market needs, collection of products, the settling of disputes with buyers, input providers, etc. The development of a well run, sustainable association will, in the long run, provide for a more profitable and stable working environment for the farmers.

Comments: The main buyer for the area, Serengeti Fresh, sees a strong need for grouping the farmers so as to provide better and greater quantities of products, in a timely manner. This, they feel, will result in a win-win for all concerned.

Specific Activities to be Undertaken:

From Hub headquarters (ZEGA/Hub):

1. Determine roles and responsibilities of Stakeholders/partners with firm commitments
2. Development of appropriate training and development materials (as mentioned previously)
3. Work with partner's handling of logistics for capacity building sessions

At the site (ZEGA/Local Partners in communication with Hub staff):

1. Feasibility of the developing institution (s) to include baseline data
2. Organizing a workshop for the general stakeholder group – explain general details and encourage commitment. This could be at various levels, e.g., farmer level farmer group level.
3. More intense planning meetings with key persons in the farmer groups – develop vision/mission statements, organizational format, operating policies and procedures, financial management, plans for sustainability
4. Validation workshop for general stakeholder group
5. Implement planning

From ZEGA headquarters (with Hub support):

Follow-up monitoring with key stakeholders

E6. Malawi Testing Laboratory

This would be a one-off short-term bit of assistance to bring together appropriate stakeholders to agree on specifics of the testing lab. This intervention may not be appropriate for ZEGA's involvement and may need to be accomplished though the Hub's collaboration with other local partners.

The National Smallholders Farmers' Association of Malawi (NASFAM) recognizes three problems fr the testing lab related to peanut marketing:

- The inability of the Malawi value chain to adjust to world market conditions
- The problems with aflotoxins
- Inadequate post harvest handling

As a first step in solving the aflotoxin-related problems, NASFAM suggests that the industry begin operation of a state-of-the-art laboratory that can test for aflotoxin. NASFAM believes there is an opportunity for a private-sector laboratory to be established in Malawi to serve agricultural marketers in the region. Regional agricultural marketers would contribute to the capital cost of establishing the lab and provide a market for its services. NASFAM has some new laboratory equipment that is used to perform a relatively inexpensive test for aflotoxin and would consider donating the equipment to a cooperatively-owned new laboratory. The lab would provide quality tests on a number of agricultural output and input products. The effort to organize a regional laboratory would require direction by an institutional/business development specialist supported by technical specialists.

Specific Activities to be Undertaken:

From Hub headquarters (by Hub staff in coordination with partners):

1. Determine roles and responsibilities of Stakeholders/partners with firm commitments
2. Work with partner's handling of logistics for capacity building sessions

At the site (Partners in communication with the Hub):

Organizing a workshop for the general stakeholder group – explain general details and encourage commitment toward desired result of establishing the testing center.

From Hub headquarters (by Hub staff and partners):

Follow-up monitoring with key stakeholders

F. Conclusion

There is a distinct need for assistance in institutional capacity building in the countries discussed above. It is clear that the development of the institutions is both demanded and desired by the members (or potential members). All institutions chosen for support are part of the overall plan to assist in increasing exports for targeted commodities

As past experience has shown, these institutions should be developed with the utmost care (to include responding to real needs in the value chain), should have strong commitment from stakeholders and must have plans for sustainability. A well-run institution can play a major role in the success of the related value chain and in the economic picture at various levels. The institutions should be operated as a business with specific planning for long-term sustainability. It is clear that interventions from the Hub would be feasible, especially when partnering with others, and would result in some important impact on production and marketing.

To accomplish good, sustainable, capacity building we need to involve a partner that can take the lead in providing quality to this end. And, again, we see ZEGA as being the most logical. Their expertise and vision are a natural fit for this regional effort, and the provision of capacity building through ZEGA will greatly add to the sustainability of the institutions.

End of Part III

Part IV: Improving Horticulture Transport Efficiencies in the Four Focus Countries

A. Introduction

Transportation issues figure prominently in the overall effort to facilitate horticultural exports from Malawi, Mozambique, Tanzania, and Zambia. Problems are common to exporters within each and across all four countries. They can be summarized as follows:

1. Expensive and unreliable airfreight

Airfreight services for fresh and highly perishable horticulture exports are at times not reliable and are generally very expensive. Rates in the four countries visited are as follows:

Zambia:$1.45 to 1.60 /kg (vegetables); 1.60 to 1.70 /kg (flowers)

Tanzania: $1.70 to 1.95 /kg (via Nairobi, Kenya); $1.66 to 1.75/kg (ex Kilimanjaro International Airport)

Malawi:$2.05 to 2.10/kg (via Nairobi);

South Africa:$2.00 to 2.20/kg
These rates should be compared with $1.40 to 1.60/kg and $0.90/kg for Kenya and Ethiopia respectively. It is no surprise that one of the farmers interviewed suggested relocating to Ethiopia as an attractive option. Serious efforts need to be made to improve reliability of transport and lower freight rates to sustain and improve competitiveness and profitability.

In the majority of countries, most airfreight is undertaken via regularly scheduled passenger flights. However, as volumes grow, an increased use of airfreight liners will be necessary. Currently, the airfreight charters operating in the region are deemed not reliable, since they sometimes do not arrive even when under contract. They allegedly abandon the traffic for more lucrative, even if short-term, business. In such cases, the result is usually loss of the exports due to expiry of the very highly perishable products involved, as well as the loss of buyer confidence. New strategies and contracting methods are needed to ensure more reliable services.

2. Low volumes, lack of consolidation and coordination of traffic.

A major reason for the relatively unreliable airfreight services and high freight rates is the low volumes of trade produced in the individual countries or by individual farms or groups of farmers within one country. The farmers/exporters or limited groups of farmers negotiate shipping services and freight rates individually, precluding economies of scale from coordinated shipments that may attract special rates and services. For example, Malawi flower exports of 2 – 2.5 tons /week are on their own too little to attract serious negotiation with any airfreight service provider. With the

exception of Zambia[29], there is no effective coordination or consolidation of traffic within each country; nor is there any coordination or consolidation of exports between countries. Better deals for improved airfreight services and lower rates may be possible to negotiate with a consolidation or coordination of the exports within and between the exporting countries.

3. Poor surface transport logistics.

The surface transport logistics chains for refrigerated shipment of fresh and processed horticulture products are not well developed in some of the region's transport corridors. Although shipping lines now have technologies and a marketing system that enable them to place self-powered refrigerated containers at any collection point, there is still a need to develop or improve special port terminals (with requisite pack-houses, cooling facilities and handling equipment) and the surface (truck and/or rail) transport system involved. Development of these facilities requires significant private sector investment, which will be easier to promote and attract when economic volumes of trade are generated through coordinated expansion programs and consolidation or shipments from the exporters and countries using a particular corridor.

B. Overall Regional Perspective and Recommendations

There is general agreement among most stakeholders in the horticulture goods producing and exporting countries that the high cost and relatively unreliable character of transport services are major impediments to the sustainability and further development of this potentially high growth and lucrative industry. The stakeholders, therefore, agree that urgent action should be taken to jointly identify and implement an action plan to improve transport services and lower freight rates. Since the constraints are common across farmers and countries, a coordinated regional approach is recommended to enhance learning among exporters; consolidate or coordinate shipments; and to synchronize negotiation for freight services and rates. Key actions in a regional approach would be:

1. Investigate the existing and planned volumes and airfreight logistics for horticulture exports and develop a strategy and action plan to consolidate traffic and improve logistics for exporters in Zambia, Tanzania, Mozambique, Malawi, and South Africa. (There is most likely a leadership role for ZEGA in this connection.)

2. Leverage economies of scale to negotiate better deals for efficient airfreight services and lower freight rates for exporters in the individual countries and jointly

[29] In Zambia, exporters have established an efficient framework for consolidation and coordination of traffic and for organizing dedicated transport services for national horticultural exports. The Zambia Export Growers' Association (ZEGA) demonstrated valuable knowledge and experience that will be useful to other countries and regional horticultural exporters in general. ZEGA's logistics unit, which handles and organizes transport for all its members, has determined that more reliable and possibly cheaper services may be established by further consolidating traffic with neighboring countries

across all the target countries. Negotiate terms to establish improved or dedicated airfreight services, i.e. an "air bridge" for horticulture exports.

3. Develop a strategy and action plan for improving the surface transport cold chain system for corridors serving target countries (Dar es Salaam, Beira, and North-South corridors) and promote implementation.

A productive role could be played by the Trade Hub team in facilitating negotiations at the regional level and advising on actions within each country to support the regional approach. Stakeholders and partners who will be involved in implementing the above recommendations are the horticulture products exporters' associations to be led by ZEGA, export promotion agencies, logistics operators (including airfreight service providers, airports and seaports fresh goods' terminal operators, corridor refrigerated transport operators – road and rail, and clearing and forwarding agents' associations), related technical assistance projects, and donor agencies and USAID Missions.

C. Country-specific Findings and Recommendations

C1. Zambia

From 1993 to 2003 the Zambia horticulture industry grew rapidly at an estimated 15 percent annually. In 2003 the industry generated an estimated $60 million worth of exports ($30 million each for vegetables and flowers respectively). It is expected that this rate of growth will continue in the foreseeable future and, according to the exporters, may even more than double if access to the US market is achieved. Most of Zambia's horticulture exports are shipped to Europe: ninety percent of vegetables are exported to the UK and almost all flowers are shipped to Amsterdam. Some vegetables are exported to New Zealand and Australia, particularly as alternate markets during the European summer when other major markets get increased products grown in Europe. The major regional markets are South Africa and the Democratic Republic of Congo (DRC).

However, the inadequacy, unreliability, and high cost of transport, particularly airfreight services, are acknowledged as major impediments to growth. Some elements of transport logistics include:

1. **Lack of guaranteed air cargo capacity for both international and regional markets**. The Zambia Export Growers Association charters air cargo planes for shipments to Europe. Other major farms such as York Farm, Agriflora and Borassus have dedicated booked space on these air cargo planes. In 2003, MK Airlines (operated by Mike Kruger) and DAS (by Captain Roy) handled 74 percent and 13 percent respectively. The rest was shared between SAA, Appollo, Commair and DHL. These charter air cargo planes sometimes divert capacity, without notice, to more lucrative short-term cargo, putting business in jeopardy. A more reliable service is therefore needed in order to guarantee delivery to markets.

2. **Large trade imbalance**. There is a big imbalance between exports air-freighted out of Zambia and imports into Zambia. ZEGA, for example, ships 250mt/week out of Zambia whereas imports are only about 50mt/week. This means that the exports incur a higher charge in order to pay for the unutilized space generated by the aircraft flying in specifically to pick up cargo in Zambia. A coordinated service covering other neighboring countries may provide chances for better utilization of empty space since there may be a higher volume of imports into a combination of these countries from Europe.

3. **High airfreight rates**. The current freight rates are very high at $1.55 to 1.60/kg for vegetables and $1.70/kg for flower exports during the high season (October – April). The rates for the low season (May – September) are $1.45 to 1.55/kg for vegetables and $1.60/kg for flowers. The freight rates constitute a major component of the value of exports. For example, for one of the major exporters (Borassus), freight rate for vegetables was about 43 percent of freight on board (FOB) value in the UK.

4. **Airfreight service.** ZEGA is interested in leasing or purchasing a dedicated air carrier. However, full utilization of such dedicated capacity would require much higher volumes of cargo not only from Zambia but also from other neighboring countries. As mentioned above, other exporters in Southern and/or East Africa should consolidate shipping to generate economies of scale and secure reliable, more affordable air services.

5. **Lack of cold room facilities**. The Ndola international airport does not have cold room facilities for handling fresh products. If it did have a cold room, Ndola could handle exports to the DRC and Angola, as well as international horticulture exports from and imports to the copper-belt.

6. **Regional road transport is adequate**. Road transport to regional markets does not constitute a major problem. Exports to South Africa are generally shipped as return cargo of vehicles used to bring in a higher volume of Zambia imports from South Africa. Hence even the freight rates are favorable. For example, form the experience of AFGRI trucks, refrigerated vehicles would charge between $75 to$85/mt for the Zambia – South Africa trip compared to about $105 – $115/mt for the South Africa to Zambia trip.

Recommendations for Transport Improvements in Zambia

1. Develop an action/operational plan for improved air services out of Lusaka and Ndola airports based on analysis of demand and capacity, opportunity for consolidation with exports from other countries, and options for feasible and most economical capacity acquisition and export routing strategies.

2. Zambia exporters, in consultation or coordination with exporters from neighboring countries, to negotiate with aircraft or air service providers for acquisition and/or operation of a dedicated air cargo service.

3. Analyse and propose action plan to improve logistics for exports within the region (mainly to South Africa and DRC), along the North – South corridor in particular.

Trade Hub team support for the actions above should be provided in the context of a regional approach, and should feature:

1. Making recommendations for securing better and lower-cost airfreight services in Zambia, jointly with exporters from neighboring countries

2. Help with planning needed upgrades at Ndola airport, and with articulating the resulting benefits for Zambian and regional exporters in terms of negotiating position and expected economic gain

3. Providing a list of facilities and operational improvements for the establishment of cold chain services along the Dar es Salaam and North-South corridors linking Zambia with the DRC, Botswana, South Africa and Zimbabwe.

The key stakeholders and partners who will be involved in implementing the above recommendations are the horticulture products exporters (ZEGA; Agriflora, York Farm, Borassus, Freshmark, and other major exporters); forwarding/ shipping agents' association, air cargo companies/airliners (MK, DAS, SAA, KLM, Lufthansa, BA, Boeing, Airbus, others); road freight transport association, EBZ, Lusaka Airport Co., ZAMTIE, ZATAC, USAID, and other donors and projects.

C2. Tanzania

The current horticulture exports growing areas in Tanzania are located in the north in the high altitude Arusha and Kilimanjaro regions/provinces. These areas are close to the Kilimanjaro international airport (KIA).

Fruits and vegetables are also grown in many other places, particularly Tanga and Coast regions, Zanzibar Islands, Morogoro region and Southern Highlands (Iringa, Mbeya, Ruvuma and Rukwa regions). The current gateway of these areas for international trade is the Dar es Salaam international airport (DIA).

The Tanzania horticulture industry is still infant, but growing, and expected to make a major contribution to the country's export earnings. However, as is the case with Zambia,

problems related to transport logistics are impediments to the growth of the industry. Transport system features and issues for Tanzania horticulture exports are as follows:

1. **Airport infrastructure and utilization**. Horticulture exports (flowers and vegetables) from the Arusha and Kilimanjaro areas are shipped through Nairobi (NRB) and KIA. NRB has more frequent and reliable airfreight service than KIA (it is served by more passenger flights daily—BA, Kenya Airways, KLM, Lufthansa—and two or three dedicated daily airfreighters). However, shipment from NRB involves an extra 300km truck trip, with a border crossing process of about two hours, and extra cost.

   Shipment from KIA is by KLM by passenger flight seven times per week, lifting 4-5 mt/week. The Kilimanjaro Airport Development Company (KADCO), a private company to which KIA has been leased, is trying to interest other passenger carriers flying into Tanzania (at DIA) to make stops at KIA to provide more capacity. BA, Air France and Ethiopian have been approached in this regard. Shipment from KIA is potentially at least 5 percent cheaper than through Nairobi.

   Low volumes of freight shipped through KIA are insufficient to attract more reliable dedicated airfreight service. The minimum pick-up described by German Cargo Freight Services (of Lufthansa) when approached by KADCO was a minimum of 40mt/trip. The Government of Tanzania is supporting a pilot project to expand production of flowers for three select farms that would generate additional volumes sufficient to attract initially about three dedicated airfreight services each week. The intention is to support further expansion beyond this pilot project. There are plans to set up KIA as a cargo hub. KADCO plans to conduct a study on how this can be achieved.

   A cold storage facility is being built at DIA. This will facilitate growth in the horticulture export-producing areas served by the airport. Similarly, the acknowledged areas with a much bigger potential for producing horticulture export products, the Southern Highlands, do not yet have the requisite infrastructure. Mbeya airport is still being developed as an international air cargo gateway. Substantial investment is still to be made to complete the development of the airport, through public-private sector partnership.

2. **Lack of exporter coordination**. As mentioned previously exporters can secure better services by coordinating their shipments and jointly negotiating with other exporters from other countries. However, Tanzanian exporters do not have a cooperation framework to do so. The dysfunctional Tanzania Flower exporters association (TAFA) should be revived.

3. **High freight rates**. The freight rates for the Arusha and Kilimanjaro area exporters are:

- $1.70 – 1.95 /kg (to Europe via NRB, including $0.20/kg for truck trip of 300km)
- $1.60 – 1.75 /kg (to Europe from KIA). This has a potential for further reduction.
- $2.80 – 3.00 /kg (to US - NY/Miami). This shipment has since been terminated.

The freight rate for mango exports to Muscat, Oman in the Middle East is $0.80/kg from DIA by Gulf Air. This is estimated to be 48 percent of value of mango exports. The exporter has requested an investigation of transport issues and the possibility of lowering freight rates for exports to Southeast Asia.

Recommendations for Improving Transport in Tanzania

1. Develop an operational/action plan for improved air services out of KIA, in conjunction with KADCO's planned study on setting up KIA as a cargo hub. The plan should be based on existing and projected airfreight demand and capacity analysis, and should include opportunities for consolidation with exporters in other countries in East and Southern Africa.

2. Revive and strengthen the flower exporters' association with a view to coordinating and consolidating traffic and jointly negotiating for improved airfreight services and lower rates. The association should negotiate for better and cheaper services regionally with other associations and/or exporters in other countries.

3. Analyse and propose action plan to improve logistics for air and sea freight exports through DIA and Dar es Salaam port to the Middle East and Southeast Asia, and within the region (mainly Southern and Eastern Africa) along the North–South corridor.

Trade Hub team support for the above actions should focus on:

1. Recommending steps for securing better and lower-cost airfreight services out of Kilimanjaro and Dar es Salaam airports jointly with exporters from neighboring countries

2. Helping Tanzanian exporters to clarify what inputs they are responsible for to achieve home and regional benefits from better airfreight service

3. Helping to revive the export association's cooperative framework, making more effective Tanzania's participation in negotiations with transport service providers in country and at the regional level

4. Providing a list of facilities and operational improvements to be made within Tanzania as inputs to the overall needs for the Dar es Salaam corridor.

The key stakeholders and partners who will be involved in implementing the above recommendations are the horticulture products exporters (e.g. La fleur d'Afrique, Tanzania Flowers, Kiliflora, Gomba estates, etc), TAFA, Darsh Industry, Bytrade, DAL Forwarding, KADCO, Tanz Airports Authority, Airfreight carriers (e.g. KLM, Air France, Lufthansa, BA, DAS) Civil Aviation Authority, Road Transport Operators, Dar Port Authority, TCCIA, BET, DAI PESA, Technoserve, USAID (Tanzania), and other donors and projects

C3. Mozambique

In order for the horticulture industry in Mozambique to realize its potential, its poor transport infrastructure must be addressed. Chief constraints are:

1. **Airport infrastructure**. Exports of flowers from the growing areas around Chimoio are currently through Harare airport, Zimbabwe. However, due to present unpredictable fuel and transport situation in Zimbabwe, as well as cumbersome border crossing, this route is adjudged unreliable.

   Chimoio international airport cannot be used for exports of horticulture products since it does not have the required facilities including runway length, cold room, and pack shed. Efforts need to be made to attract investment to develop the airport in a public-private partnership.

2. **Port services**. There are irregular and delayed shipping services through Beira port, which is a gateway port for exports from the strong horticulture growing areas in the central regions. Shipping services are now about after every 12–14 days. Feeder services to Durban are regular at two calls per week. The direct call frequencies have been reduced due to low freight volumes resulting from the downturn of the economies of the hinterland, especially Zimbabwe.

   The citrus terminal at Maputo port is functioning efficiently, handling exports from Mozambique, South African, and Swaziland exporters, through the Maputo corridor. Outspan/Capespan handles logistics for a successful exporter, Citrum Company (the grapefruit grower/exporter).

   There is consideration to develop a dry port on the Mozambique side of the Komatipoort/Ressano Garcia border post. However, this should be pursued only if

it will further ease the flow of traffic along the corridor. It should not become another control point delaying the flow of goods.

3. **Trucking**. Mozambique trucks are not able to operate competitively in Zambia, Malawi, or Zimbabwe due to lack of appropriate insurance cover. Follow-up by the Trade Hub on this matter with SATCC, who with COMESA have been facilitating Mozambique's accession to the Yellow Card system, revealed that significant progress has been made. Mozambique has promulgated an appropriate insurance law. The process to join the Yellow Card insurance system is underway. It involves the establishment of a national bureau by an association of insurance companies and the mobilization of a $100,000 deposit they have to make to the Council of Bureaux. It is expected that this process will be completed within 2004.

Very high road user charges, restrictive vehicle weight limits and cumbersome customs related delays at borders are also reported to be major problems along the Beira corridor. The review of the weight limits and road user charges is underway, under COMESA and SADC auspices.

Recommendations For Improving Transport in Mozambique

1. Develop an operational/action plan to establish efficient air cargo services out of Chimoio airport, including opportunities for consolidation with other exporters particularly within Southern Africa.

2. Promote investment in agriculture and industrial development along the Beira corridor to generate increased cargo exports and attract better services.

3. Complete procedures to join the regional Yellow Card system for cross-border vehicle insurance.

4. Resolve existing operational impediments to the efficient flow of traffic along the Beira and Maputo corridors and the North–South link within Mozambique

5. Promote infrastructure development for the Beira port hinterland and for the north-south link within Mozambique

The Trade Hub should support the actions above chiefly by:

1. Helping with recommendations to establish airfreight services out of Chimoio airport, jointly with exporters from neighboring countries

2. Clarifying Mozambique exporters' input to and benefit from a coordinated or joint regional approach to establish better air freight services deals.

3. Identifying facilities and operational improvements within Mozambique for the establishment of cold chain services along the Beira corridor serving the rich production regions of Manica (including Chiomoio area) and Sofala.

The major stakeholders involved include Chimoio flower and vegetable growers/exporters, Citrum, Chimoio airport operator, Aircargo service operators (e.g. MK), civil aviation authority, Sun smile, Cornelder de Mozambique (Port of Beira operator), CTA, Technoserve, USAID Mozambique, and other donors and projects.

C4. Malawi

Malawi flower exports have declined to the virtually uneconomic level of a total of 2 to 2.5 mt/week produced by two growers. Production has dwindled over the last five to six years, during which time the biggest farm (Lingadzi) closed. One of the major factors in the collapse of the industry is unreliable and high-cost airfreight to the markets in Europe.

Exports by surface transport via or to South Africa are shipped through the Nacala corridor, Beira corridor (via Tete) and, to a less extent, Dar es Salaam corridor.

Transport issues and problems affecting the horticulture industry are as follows:

1. **Limited airfreight options**. Exporters of fresh flowers have only one airfreight service option: through Nairobi by Kenya Airways, which operates 7 flights a week. However during peak season, Malawi flowers sometimes do not connect on the earliest flight to Europe because they are assigned a lower priority. Many other options have been considered or tried without success. These include:
   - BA used to lift exports from Lilongwe airport but stopped due to perceived unsatisfactory security situation.
   - DAS at one stage was contracted by Air Malawi (air cargo section) but stopped due to inadequate volume. It requires a minimum guaranteed cargo of 15mt/week (with at least 10mt of flower exports) to provide a weekly service. But they managed to get only a total of between 3 to10mt per trip.
   - Trucking of flowers to Lusaka has also been considered, but an average seven-hour trip and possibly inadequate capacity out of Lusaka make it too long and risky to maintain good quality of the exports.
   - The type of small passenger aircraft flying between Lilongwe and Lusaka cannot ship fresh products. The volumes currently being produced/exported cannot pay for even the landing fees of any aircraft that can fly in to lift the

cargo, even for consolidation with exports in other countries such as Zambia. Volumes must be increased unless transport is subsidized during the industry development process. Exports of flowers and vegetables should be considered and organized in a more coordinated fashion to generate the necessary volumes that can attract improved airfreight services and reduced freight rates.

- Routing through South Africa is not considered a good option due to the longer distance to Europe and related higher cost. In addition South Africa is not considered a good market for Malawi flowers.

2. **High freight rates**. The current freight rates for Malawi flower exports are the highest in the region at between $2.05 to 2.10/kg (Mal–NRB is $0.65). For surface transport, the freight rates are an average of $50/mt to South Africa (backhaul) and $95/mt from South Africa. The total cost to the UK via Nacala corridor and Durban port is about $2700/ 20' container.

3. **Nacala corridor infrastructure lacking**. Though potentially least cost for most Malawi exports, the Nacala corridor is yet to perform to this potential. It is anticipated that the situation will improve significantly when the operation of the whole corridor's port and rail system is put under concession. The envisaged concession of the Mozambique port and rail system is still to be concluded. The Malawi rail section is operating under concession. The building of a corridor road is being promoted under Nacala Development Corridor initiative.

Recommendations for Improving Transport in Malawi

1. Promote expansion of production of cut flowers to get to at least a minimum of 10mt/week exports

2. Enact a public–private sector partnership strategy for developing the industry and improving airfreight services for fresh products.

3. Follow up and support planned audit (by Word Bank) of performance of corridors serving Malawi (especially Nacala and Beira, Dar es Salaam, and through South Africa)

4. Promote and support ongoing process to concession and improve remaining part of Nacala Corridor (Mozambique section and Mchinji–Chipata section across the border of Malawi and Zambia), and to build corridor road infrastructure.

The Trade Hub team should support these efforts through:

Recommendations on possible actions by Malawi stakeholders to secure a better deal for lower priced airfreight operations, jointly with exporters from neighboring countries.

Clarifying Malawi exporter inputs to and benefits from a coordinated or joint regional approach to establish better airfreight services deals.

Advising on the process to concession and improve the remaining part of the Nacala Corridor (Mozambique section and Mchinji–Chipata section across the border of Malawi and Zambia).

The major stakeholders involved include flower exporters (Zikomo, Maravi), NASFAM/ NASCOMEX, Rab Processors, Shoprite, ADMARC, Chambers, airfreight operators (Air Malawi, Kenya Airways, BA, MK and DAS), Civil Aviation Authority, rail operators (Mal & Moz), Governments, MDC, USAID and the US Embassy, other donors and projects

C5. South Africa

South Africa's infrastructure and logistics operations for horticulture exports are well developed and efficient. Relevant issues related to South Africa infrastructure as considered by the Trade Hub team are:

1. **Infrastructure and logistics**. South Africa infrastructure and logistics services cater for South Africa exports without problems. The facilities and systems are also being used as transit for exports from other countries, and there is capacity to handle more traffic. There are companies handling traffic or with business links with exporters from other countries and can act as consolidators of exports. COSMO Trans, Grinrod PCA, and AFGRI may easily act as such consolidators.

2. **Air cargo services**. Most airfreighted fresh products exports (in 2002 about 6100mt flowers, 7000mt fruit and vegetables, 5400mt meat, 3000mt fish) are shipped on passenger airliners. Export agents pre-book space and standard freight rates are normally applied. Air cargo charter companies used are African International, MK, DAS, and Hydro Air. However, it is difficult to find reliable airfreight charters as they sometimes do not arrive even when contracted. Most exports are to Europe (69 percent fruit, vegetables and flowers; 22 percent Middle East; 6 percent Africa in 2002). Only 3 percent of flowers were exported to the US in 2002.

   Airfreight rates are high, most likely due to the long distance and on the basis of standard rates on the tariff. They are on average $2.00 – 2.20/kg (including $.20 for fuel and security surcharges)

3. **Surface transport**. Substantial surface transport capacity exists and is used to ship SA exports to neighboring countries. This capacity is available as unused backhaul for carrying exports of these counties to or through SA.

Recommendations for Improving Transport in South Africa

The recommendation regarding South Africa infrastructure and services concern mostly the services that they may offer to develop the regional horticulture industry. The Trade Hub team recommends the following actions:

1. Investigate and establish the practicality and benefit (in terms of more efficient and reliable services and lower cost) for consolidating horticulture traffic for export through South Africa.

2. If feasible, identify key partners, develop proposals to establish a consolidation system, and implement the proposals.

Again, at the regional level, Trade Hub support for the actions above should be:

1. A detailed analysis of the operations and capacity of potential South African consolidators with recommended actions to support the regional approach. On the basis of this analysis the Hub will recommend country actions to support the regional approach to establish better and lower priced coordinated airfreight services.

2. A clarification of the role and input of South Africa consolidators to a coordinated or joint regional approach to establish better airfreight services deals.

The South African stakeholders and partners to be involved in this endeavor are South African major exporters, associations (e.g. flower growers, mango, etc), logistics companies (e.g. Cosmo Trans, Grindrod PCA, AFGRI), FCFASA, FESARTA, airport authority, air freight companies (MK, DAS, Hydro, African international, KLM, BA, Lufthansa, Emirates, etc), SAIBL, and USAID.

D. Conclusion

There is need to assist the horticulture exporters from Zambia, Tanzania, Mozambique, and Malawi to improve reliability of transport and reduce the very high freight rates, especially airfreight. This will significantly improve competitiveness and profitability. The

best-identified way to secure such improvement is to negotiate and establish dedicated services. However, this will be easier and more attractive to potential service providers if the volumes involved are large. There is, therefore, need for the horticulture growers and exporters to consolidate their shipments within each country and across the countries. With such consolidation, the exporters will be negotiating from strength.

There is need for the exporters to organize such that they have effective cooperation and coordination framework to consolidate shipments and effectively negotiate for improved and cheaper transport services. Considering the current status of handling in-country shipments, only Zambia has the organizational capacity and experience to do so nationally. Therefore, the experience of ZEGA will be valuable to other countries and to the establishment of a regional cooperation framework.

Many actions have been recommended to secure improved transport services at national and regional level. Implementation of these actions is the responsibility of principally the stakeholders involved, supported by various available or planned technical assistance programs.

End of Part IV

Part V: Identifying Tariff and Non-tariff Barriers to Horticultural Inputs and Exports

A. Overview

Customs duties and taxes on imported inputs for production can form a significant percentage of a product's export price if they cannot be absorbed in the profit margin. The level of Customs duties and taxes on inputs and on exports can therefore reduce the competitiveness of a country's exports.

Cumbersome administrative formalities for importing inputs and for exporting domestic products can have the same results and more. In addition to increasing the cost of the logistics for bringing inputs into the country and for delivering exports to export markets, they may result in the inability of the exporter to meet delivery times. This may also, in turn, result in the loss of export markets. In the case of perishable exports, delays may result in spoilage and total loss of the goods. Complex border formalities may turn the border into a place of processing perishable exports into compost.

Customs duties and taxes, and administrative formalities may, therefore, constitute barriers to export trade. In its efforts to promote the export of horticultural products of Malawi, Mozambique, Tanzania and Zambia (MMTZ), the Trade Hub considered it important to identify the tariff (duty and taxes) and non-tariff (administrative formalities) barriers that may impact on the cost of horticultural production and exports with a view to making recommendations for their removal to the countries concerned.

During the months of October and November 2003, the Trade Hub Customs reform advisor visited the four countries to gather and analyze information. Discussions were held with a number of stakeholders, including officials of USAID Missions, Customs officials, horticultural growers, representatives of business associations, and freight forwarders. The work also involved studying the Customs tariffs and the value added tax legislations of the four countries to identify the goods that can be considered horticultural inputs and capital goods and the rates of duty and taxes applicable to them. The tariffs of Zambia and Tanzania have been used to compile the illustrative lists of horticultural inputs and capital goods (shown in section C below) and the rates of duties and taxes applicable to them. In terms of preferential treatment of horticultural input and capital goods, they fairly reflect the situation in Malawi and Mozambique[30].

B. Explanation of Terms

A clear definition of terms is necessary to understand the parameters of this analysis. Tariff barriers are restrictions to trade resulting from the imposition of a tariff on imports (import duty) or on exports (export duty). In addition to import duties, imports may also be liable to certain taxes such as value added tax (VAT), sales tax**,** and excise duty. Like import duties, these are indirect taxes that may result in the increase of the cost of production or of the export price of a product. Depending on the ultimate cost of the

[30] Similar lists are being prepared for Malawi and Mozambique for the Trade Hub's internal update of the study.

product, the margin added by import duty and taxes may be decisive in a product's export competitiveness.

A Non-Tariff Barrier (NTB) is "any barrier to trade other than import and export duties" (according to the SADC Trade Protocol). One economist[31] defines NTBs as "Trade restrictions other than tariffs, such as quotas, voluntary export restraints; technical, administrative, and other regulations; as well as those arising from international cartels, dumping and export subsidies." A World Bank publication[32] refers to the term as "a catchall phrase describing barriers to international trade other than tariffs–for example, quotas, licensing, or voluntary export restraints." WTO instruments define NTBs as "laws and regulations other than tariffs which impede international trade." The term does not therefore connote a technical meaning but simply refers to restrictions other than tariffs that may impede international trade.

The broad categories of most NTBs are the subject of WTO Agreements each of which concerns a particular category of barriers. The Agreements lay down international standards for regulating laws and regulations that impact on international trade, so that they do not themselves become barriers to international trade. They include the following:

- Agreement on Technical Barriers to Trade (TBT)
- Agreement on Sanitary and Phytosanitary (SPS) Measures
- Agreement on Implementation of Article VI (Anti-dumping)
- Agreement on Implementation of Article VII (Customs Valuation)
- Agreement on Pre-shipment Inspection
- Agreement on Rules of Origin
- Agreement on Import Licensing Procedures

The first two Agreements differ from the rest in one major respect: they regulate the physical and technical standards, qualities, or attributes of goods being traded. The other agreements are concerned mainly with conditions for market access. The present study does not cover issues relating to TBTs and SPS, but focuses mainly on the constraints arising from the administrative formalities with which the movement of goods in international trade has to comply. There are proposals for a WTO Agreement on Trade Facilitation, which will establish principles for administrative formalities for controlling the movement of goods in international trade.

We also need to be clear about the terms "inputs" and "capital goods." Inputs are generally the factors that are consumed entirely by the production process or incorporated in the product under production. Examples of inputs for the horticultural trade are seeds, cuttings, seedlings, tubers, etc., for sowing. Capital goods are machinery, implements, tools, greenhouses, and all other goods that comprise the means of production. Capital

[31] Dominic Salvatore in International Economics, Prentice Hall International Editions, 1995
[32] Development, Trade and the WTO – a Handbook, edited by Bernard Hoekman, etc, The World Bank, 2002.

goods used exclusively for agriculture/horticulture include agricultural tractors, farm ploughs, and greenhouses. Capital goods used exclusively for the production of a given product are also inputs from the perspective of the cost of production, since their cost has to be amortized over the period of their lifespan. The Tariff tables in Annexes 2 through 5 list in more detail the main inputs and capital goods used in the horticultural sector.

This study therefore concerns tariff barriers, and only those non-tariff barriers arising from administrative formalities for importing horticultural inputs into MMTZ and exporting horticultural exports from these countries. With the exception of only a few, the non-tariff barriers arise from Customs requirements and interventions. It is important to point out that lack of management skills on the part of a Customs administration, outdated Customs control methods and lack of automated Customs systems can also result in constraints to international trade.

C. An Overview of Tariffs in the Four Focus Countries

In order to appreciate the nature of the tariff constraints that will be discussed later, it is important to have an overview of the Customs tariffs of the four countries. Thanks to recent tariff restructuring initiatives by the IMF and the World Bank and tariff harmonization coordinated by the Common Market for Eastern and Southern Africa, COMESA, the four countries now have a very simple tariff structure with four bands of rates of duty, varying from zero to 25 per cent. The lowest rates generally apply to, *inter alia,* farm machinery, inputs for agriculture, raw materials, capital goods, and replacement parts. The next band is charged on semi-processed inputs and spare parts other than for motor vehicles. Fully processed inputs and motor vehicle spare parts are liable to duty at the rate of the next band, and the highest rates apply to final consumer goods.

Generally, goods like fertilizers, herbicides, etc. enjoy the lowest rate of duty since they are clearly inputs for agricultural production. Similarly, machinery and tools for use in agricultural production, e.g. agricultural tractors, ploughs, and irrigation systems have the lowest rate of duty since they are used exclusively as capital goods for the agricultural/horticultural sector.

C1. COMESA and SADC Rates of Duty

Malawi and Zambia are members of the Common Market for Eastern and Southern Africa (COMESA), whose members have reduced by at least 60 percent the rate of duty on goods traded with each other with a view to their ultimate removal. If, for example, the Most Favored Nation (MFN) rate of duty is 25 percent, the COMESA rate of duty will be 10 percent (i.e. 40 percent of 25 percent).

Mozambique and Tanzania left COMESA when they had reduced their rates of duty significantly. On leaving COMESA a member is expected to retain the level of reduction it

had reached to products originating in member states and not to put the rates back to MFN levels. Imports originating in COMESA member states to Mozambique and Tanzania should, therefore enjoy a lower rate of duty than imports from the rest of the world.

C2. Value-added Tax, Surcharge, and Excise Duty

In addition to import duties, the four countries charge VAT on imports. In Malawi the equivalent of VAT is called Surcharge, which is close to VAT. There is a single rate of VAT/Surcharge applying to all except exempted goods. This is 17.5 percent in Malawi, 17 percent in Mozambique, 20 percent in Tanzania, and 17.5 per cent in Zambia. While duty is charged as a percentage of the cost-insurance-freight (CIF) value of the goods, VAT/surcharge is charged as a percentage of the sum of the CIF value plus the duty (VAT = Rate/100x (CIF + Duty).

The table below illustrates the calculation of import duty and VAT, and shows that, depending on the rate of duty, these can amount to 50 percent of the value of an input.

Table 1 - Calculation of Import Duty and VAT

- Suppose to produce a given quantity of vegetables importation of consumable inputs of an FOB value of $ 500 is required and that freight is $ 100 and insurance $20.
- The taxable value in certain countries would be $ 500 + 100 + 20 to arrive at the CIF (named port) price of $620.
- At the import duty rate of 25%, the duty payable would be .25 x 620 = $ 155.
- Assuming a VAT rate of 20%, the VAT payable would be .20 x (620 + 155) = $155.
- The total amount of taxes to be paid would, therefore, be $ 310, which is 50 per cent of the FOB price.

All the countries also have excise duty that applies to a few selected consumer goods that are considered luxury goods.

C3. Duty-drawback, Refunds and Other Incentives

Where it is not possible to provide for zero rate of duty in the Customs tariff, there are several other ways of exempting certain goods from duty. Ad hoc regulations may be passed to exempt inputs for a particular sector, or even a particular producer or operation. Furthermore, all the four countries have duty-drawback provisions, which allow refund of the duty and taxes paid on raw materials/inputs when the resulting product is exported. Participation in the duty-drawback scheme is subject to specified conditions.

All the four countries have provisions that can allow manufacturing in bond. However, this facility is more appropriate for certain manufacturing processes, like bottling of beverages or weaving from imported yarn, where it is relatively easy for the manufacturer

to account for the inputs or for the Customs to monitor the quantity of outputs from the factory.

A more sophisticated system is Export Processing Zones (EPZ), into which inputs are imported free of import duty and taxes and duty and taxes paid only on the products entering the domestic market. EPZs are a common incentive to manufacturing for export, but they are appropriate also for horticultural since the tax authorities can easily exercise the required controls, and the products from horticultural farms in the four countries are often for export.

Zambia- Schedule of Import Duty and Taxes on Inputs and Capital Goods For Horticultural Products

HS No.	Description	Import Duty	VAT	Excise Duty
Ex- Chaps 06 - 12	Roses plants, vegetable seeds for planting, cuttings, seedlings, tubers, etc. all for sowing;	5%	17.5%	-
HS 27.10	Petroleum Fuels			
	- Kerosene	5%	Exempt	15%
	- Petrol	25%	0%	30 – 60%
Ex- Chaps 28; 31 and 38	Fertilizers	free	0%	-
Ex - Chaps 29 and 38	Pesticides, Herbicides, fungicides, insecticides	free	17.5%	-
Ex- Chap Chapter 39	- PVC Piping, Hosepipes;	25%	17.5%	-
Ex-HS 39.21	- Growing artificial medium and hydroponic liners; Nursery bags;	15%	17.5%	
	- Blue film bags for UV fruit protection			-
HS 7308.90;	Greenhouse structures of steel			-
	Steam boilers for heating greenhouses	15%	17.5%	-
Ex-HS 8402	Air and pumps; Compressors and fans	15%	17.5%	-
Ex-HS 84.14	Air conditioning machines	15%	17.5%	-
	- Refrigeration or freezing equipment for cold rooms;			-
Ex-HS 84.15	- Other refrigeration equipment	25%	17.5%	-

Ex-HS 84.18	**- Dryers for agricultural products**			
	-Heating systems using boiler and air heaters (for open environment)	**5%**	**17.5**	**-**
Ex-HS 8419	**Packing or Wrapping machines**	**25%**	**17.5%**	**-**
	Weighing machines	**free**	**17.5%**	**-**
HS 8422.40.00	**- Irrigation systems; spraying machines;**		**17.5%**	**-**
Ex-HS 84.23	**- Cooling systems using fogging or pad and fan force ventilated systems**	**5%**	**17.5%**	
		15%	**17.5%**	
HS 8424.81.00	**Horticultural machinery for soil preparation or cultivation**			
	- Ploughs	**5%**	**17.5%**	**-**
Ex-HS 84.32	**- Harrows, scarifies, cultivators, weeders and hoes;**	**5%**	**17.5%**	**-**
	- Disc harrows;			**-**
	- Seeders, planters and transplanters;			**-**
	- Manure spreaders and fertilizer distributors;			**-**
	- Parts	**Free**	**17.5%**	**-**
	Electrical motors and generators, excluding generating sets	**Free**	**17.5%**	
		Free	**17.5%**	**-**
	Electricity generating sets	**Free**	**17.5%**	
		Free	**17.5%**	**-**
	Storage batteries			**-**
EX-8501	**Solar panels;**	**Free**	**17.5%**	**-**
Ex-85.02	**Tractors for use in agriculture or horticulture**	**5%**	**17.5%**	**-**
Ex-85.07	**Motor vehicles for carrying goods**	**5%**	**17.5%**	**-**
HS 8541.40.00	**Weather and meteorological instruments**	**15%**	**17.5%**	**-**
		15%	**17.5%**	

HS 8701.90.10	**Thermostats, monostats and other instruments for automatically controlling temperature, flow of liquids, pressure, etc**	**5%**	**17.5%**	**-**
Ex 87.04	**Pre-fabricated greenhouses**	**15%**	**17.5%**	**-**
Ex-90.25		**15%**	**17.5%**	
Ex- 90.32		**15%**	**17.5%**	
HS 9406.00		**Free**	**17.5%**	

Tanzania – Import Duty and Taxes on Horticultural Inputs And Capital Goods

HS Code	Tariff Description	IMPORT DUTY	VAT	Excise Duty (ED)
Ex- Chap 12	Seeds for sowing;	0%	Exempt	
HS 27.10	Petroleum Fuels			
	- Kerosene	0%	20%	
	- Petrol	0%	20%	
Ex- Chaps 31	Fertilizers	0%	Exempt	TZS 135 – 146 per liter
Ex - 38	- Insecticides	0%	20%	
	- Fungicides,	0%	Exempt	-
	- Herbicides	0%	Exempt	
	- Pesticides	0%	20%	-
Ex- Chap Chapter 39	- PVC Piping, Hosepipes;	25%	20%	-
Ex-HS 39.21	- Growing artificial medium and hydroponic liners; Nursery bags;	25	20	
	- Blue film bags for UV fruit protection			-
Ex-HS 49.18	Packaging material	15%	20%	-
HS 7308.90;	Greenhouse structures of steel	0%	20%	-
Ex-HS 8402	Steam boilers for heating greenhouses	0%	20%	-
Ex-HS 84.14	Air pumps; Compressors and fans	15%	20%	-
Ex-HS 84.15	Air conditioning machines	25%	20%	-

Ex-HS 84.18	- Refrigeration or freezing equipment for industrial use;	0%	20%	-
	- Dryers for agricultural products			-
Ex-HS 8419	-Heating systems using boiler and air heaters (for open environment)	0%	20%	-
	Packing or Wrapping machines	0%	20%	-
HS 8422.40.00	Weighing machines	0%	20%	-
Ex-HS 84.23	- Irrigation systems; spraying machines;	0%	20%	
HS 8424.81.00	- Cooling systems using fogging or pad and fan force ventilated systems	0%	Exempt	
	Horticultural machinery for soil preparation or cultivation		Exempt	-
	- Ploughs			-
Ex-HS 84.32	- Harrows, scarifies, cultivators, weeders and hoes;			-
	- Disc harrows;			-
	- Seeders, planters and transplanters;	0%	Exempt	-
	- Manure spreaders and fertilizer distributors;	0%	Exempt	-
	- Parts	0%	Exempt	
	Electrical motors and generators, excluding generating sets of an output exceeding 75 KVA	0%	Exempt	-
	Electricity generating sets of an output exceeding 15 KVA	10%	20%	-
EX-8501	Storage batteries	0%	20%	-
Ex-85.02	Solar panels;	0%	20%	-
Ex-85.07	Tractors for use in agriculture or horticulture	15%	20%	-

HS 8541.40.00	Motor vehicles for carrying goods	0%	20%	-
HS 8701.90.90	Weather and meteorological instruments	0%	Exempt	
Ex 87.04	Thermostats, monostats and other instruments for automatically controlling temperature, flow of liquids, pressure, etc	10%	Exempt	
Ex-90.25	Pre-fabricated greenhouses	15%	20%	
Ex- 90.32		15%	20%	
HS 9406.00;		0%	Exempt	

D. Tariff Treatment of Exports and Horticultural Inputs

D1. Duty and Taxes on Exports

None of the countries charges duty or taxes on a product by virtue of its being for export. There is therefore neither duty nor taxes on horticultural exports. In Zambia it was reported that certain commodities like grain and tobacco are liable to agricultural levies; these are charged by local government authorities and not the central government.

D2. Duty and Taxes on Production Inputs

In the four countries, most horticultural inputs are imported, and are charged zero or the lowest rates of duty and taxes if according to the tariff they are exclusively for agricultural/horticultural use. Other inputs are dutiable and liable to taxes unless they are exempted by ad hoc legislation. For example, Tanzania has exempted packaging material for exports from duty and taxes by ad hoc regulations. It is possible that this is the case in the other countries.

D3. Duty and Taxes on Capital Goods

Capital goods for agriculture/horticulture that are specifically mentioned in the tariff are also duty free or have the lowest rate of duty and exempted from VAT in Tanzania – but not in Zambia. The capital goods specifically mentioned in the tariff are, ploughs, harrows, cultivators, weeders, planters, manure spreaders and fertilizer distributors. There are also other goods that fall under the HS Codes with the generic description "… for agriculture or horticulture use". These are also duty free or have the lowest tariff rates. Irrigation systems are classified under such a heading because they are for agricultural/horticultural use.

Items that are essential to the horticultural business but are not for exclusive use in agriculture/horticulture are shown as dutiable in the tariff. These include fuel, cars, electric cables, motors, hose pipes, etc. These can sometimes be the more expensive assets of a horticultural concern. The reasons for showing these items as dutiable and taxable may have to do with both the technicalities of the tariff and with policy. Since they are for multi-sector use, they cannot be singled out in the tariff for preferential treatment. Furthermore, they are often imported by general dealers, and not directly by horticultural concerns. To deal with this technical problem may require special regulations exempting registered horticultural concerns from the tax if they import the items or buy them ex-bond. Such provisions are usually included in legislation on investment incentives.

All the four countries have legislation on investment incentives that go beyond the provisions of the Customs tariff and tax legislation. However, as will be discussed below, there are problems with the implementation of the provisions.

From the perspective of policy, the four countries do give duty and tax preferences to input and capital goods that are clearly for agricultural and horticultural use. Furthermore, ad hoc legislation, like the investment promotion legislations extend preferences to those goods which cannot benefit from the lower rates of the tariff by virtue of the fact that their use is not specific to agriculture or horticulture.

Despite this conclusion, a number of constraints relating to import duty and taxes were reported during consultations with horticultural producers and exporters. However, these have to do with the interpretation and implementation of the tariff and other legislation rather than with the absence of appropriate legislation, as described below.

E. Reported Duty and Tax Constraints

E1. Costs Associated with Exports

In Tanzania it was reported that the Tropical Paste Research Institute, which is responsible for issuing phytosanitary certificates for exports, charges the equivalent of USD 15 for a certificate, and one to three dollars, depending on weight, as inspection fees. These are small amounts but they add significantly to the marginal cost of exporting a product.

It is likely that these charges are not related to the cost of service rendered. It is likely that they are a means of supporting the budget of the institute.

E2. Taxes on Multi-Sector Inputs

As we have seen above, the Customs tariff does not give preference to multi-sector inputs, the most important of which is fuel. In all the four countries, fuel is a major cost of production for export. Fuel is a major input in horticultural production, but horticultural growers are not exempted from paying duties and taxes thereon. As will be seen in the table below, the tax is very high. In Tanzania there is a specific rate of excise duty ranging from $0.135 to $0.146 a liter, depending on the grade of fuel, plus 20 percent VAT. In Zambia petrol has a rate of duty of 25 percent plus excise duty ranging from 30 to 60 percent a liter.

Duties and taxes on inputs that are not specific to horticulture therefore add a very significant cost to the production of horticultural exports unless they are refunded through duty-drawback and refund of VAT input tax. However, the process of duty and VAT refund has its own problems, which are discussed later in this study.

E3. Fees Associated with Imports

To duties and taxes should be added certain other costs associated with importation of inputs. In both Tanzania and Mozambique it was reported that the fees for registering horticultural chemicals is so high that it is quite a burden to a single grower. In Tanzania it was said that it costs as much as US $6000 per chemical and in Mozambique the cost of $15,000 per chemical was mentioned. Growers in Mozambique pointed out that the small quantities used meant that no input supply company would find it economically feasible to pay this amount for registration purposes because it cannot hope to sell enough of the chemical to recoup the registration fee, not to mention the value of the time devoted to the process. Somehow farmers are able to obtain unregistered chemicals.

In Malawi, Mozambique, and Tanzania, there is also a Pre-shipment Inspection (PSI) fee that is based on the FOB price of the goods to be imported. In Tanzania it is 0.2 percent while in Malawi it is as much as 1 percent. In Mozambique PSI applies to selected goods–goods identified as being susceptible to under-valuation–and not to all imports.

E4. Delays in Refunding Input VAT on Exported Products

In all the countries except Zambia, delays in refunding VAT input tax were mentioned as a major constraint to exportation. The situation in Malawi is well explained in a report entitled "A Growth Strategy for Malawi"[33]. The report notes that exporters are expected to pay tax on agricultural products that are exported, including tobacco and tea, *and claim refund after exportation.* However, the process of getting refunds takes so long that exporters face cash flow problems that hinder further exportation. The requirement to pay the tax and claim refund is probably a means of fighting fraudulent refund claims, which are common even in Europe. Claims for refund of VAT on exports are made even where no exportation has taken place. The authorities therefore require evidence of exportation, usually the Customs export bill of entry (export declaration). But in some countries it is possible to fraudulently obtain an export bill of entry or make a fraudulent one. Where fraud is common, Customs may require, as a standard practice, a landing certificate from the country of importation.

Delays in refund may therefore be due to the difficulty of obtaining acceptable evidence of exportation or to slowness in Customs processing of claims. Another reason is that once the tax is accepted by Customs and remitted to the government as revenue, there may be

[33]Prepared by the Department of Economic Planning and Development and the National Action Group and dated February 2003.

no budgetary means for Customs to "draw it back." In Zambia they have overcome this problem by introducing "an efficient and timely VAT refund mechanism which involves the withholding or retention (by the Revenue Authority) of a proportion of tax revenue to enable the prompt repayment of VAT refunds"[34].

In Tanzania it was reported that refund of VAT takes a year or more—if one does not give up— and involves trips to the headquarters of the Tanzania Revenue Authority in Dar es Salaam.

The Trade Hub team will recommend ways of enabling the revenue authorities of Tanzania and Malawi to benefit from the experience of their Zambian counterparts.

A problem still outstanding regarding refund of VAT in Zambia is that the minimum claimable is five million Kwachas. This is a disadvantage to small-scale farmers. It is understood that several associations in Zambia are pressing for a change in the law.

E5. Ineffective Duty-drawback Scheme

It was reported that, in principle, the Mozambican government allows drawback of duty on inputs used to produce horticultural exports. However, refund of duty rarely takes place due to the complexity of the refund formalities or to budgetary constraints. For example, the 2.5 percent duty on fertilizer is not refunded.

It has not been possible to establish details of the Mozambique duty-drawback scheme, but refund delays there are due to the same reasons as for VAT refund delays. The other possible reason is that there may not be detailed instructions on how the scheme should operate; in other words, there may not be a scheme at all but only the broad principles in the Customs law.

The IMF helped to write the Drawback Scheme of Tanzania in 2000. The Trade Hub can help the other countries share experience with Tanzania. If there are still duty-drawback delays in Tanzania it is possibly because the Tanzania Revenue Authority has not established a refund pool as has been done by Zambia. The Trade Hub will take up this question in collaboration with the Customs administration of Mozambique and other stakeholders.

Another problem related to duty-drawback is refund of duty on machinery imported for temporary use, and then re-exported. Farmers in Mozambique reported that duty paid on

[34] Obtained from a brief on the Zambia Business Forum. The USAID-ZAMTIE project has been instrumental in facilitating the formation of the Forum.

such machinery imported from a neighboring country has not been refunded when the machinery was re-exported. This question was raised by the farmers from Zimbabwe, who need heavy machinery to open up the virgin land that has been given them by the government of Mozambique. It is economical for them to lease such machinery from a neighboring country rather than buy their own because the machinery is required only occasionally.

This is a question concerning the principles of temporary importation and Customs valuation rather than duty-drawback, and it is not of much interest to established farmers. However, the question will be mentioned to the Customs administration of Mozambique. The Trade Hub can provide information on how to deal with such cases.

E6. Inconsistencies in Tariff Classification

One horticultural producer in Tanzania pointed out that sometimes one cannot know for sure if an input is dutiable or not; there can be surprises. He cited one example concerning hose pipes. For a number of years he had imported them duty-free but he had to pay duty the last time he imported pipes, two years ago. His clearing agent informed him that Customs had ruled that the pipes were not for agricultural use.

It is not uncommon for Customs in any country to vary the classification of a product. However, the importer can appeal against the ruling and the merits of his case heard. As this is a very specific case it is difficult to establish its merits without knowing why Customs concluded that the pipes were not for agricultural use.

E7. Harsh Tax Environment

The report on "Malawi Growth Strategy" cited above, is down to earth on the harsh tax environment in which business has to survive in Malawi. To abbreviate a few points:

- There are many other charges and levies that hit all businesses or some sub-sectors in particular, such as Pre-shipment Inspections and the Fuel Levy.

- The taxation system is therefore overly complex, subject to arbitrary change, and costly for businesses (and government) to manage.

- The coverage of surtax appears to be too extensive. Donor agencies are not exempt, nor are sectors that are predominantly export oriented. Surtax on supplies to companies in export processing zones has been introduced, which seems to be counter to the purpose of EPZs.[35]

[35] Prior to this extension, supplies to EPZ companies were exempt through the use of form ST14.

- Pre Shipment Inspection fees of 1 percent on imports in excess of $2,000 represent an additional tax on legitimate importers and the MRA is apparently in breach of WTO rules by taking the higher of the custom's value on the invoice or the inspector's valuation.

- The approval of incentives and then variations by other parts of government are reported to be problematic especially in some subsectors, such as tourism. The value of the incentive is open to discretion by government and then not guaranteed once granted (see above). Several major investors have been lost over the years due to delays in the approval.

If these statements are correct, then the tax environment is very harsh even for horticultural producers/exporters. The statements would also confirm that the preferences and incentives indicated in the "books" are nullified by practice and that there are many hidden costs that can add to the price of exports and render them less competitive in the export market.

Unfortunately, the Hub cannot at present provide assistance to ameliorate the situation. It is likely that the DFID Trade Facilitation Project for Southern Africa, which has just started, will address some of the concerns listed in the report.

F. Non-Tariff Barriers to Exports and to Imports of Inputs

Commercial and administrative procedures and documentation are necessary costs of international trade. For example, there are procedures for opening a Letter of Credit and the Manifest and Bill of Lading**,** which are indispensable commercial documents. Administrative formalities are necessary not only to enable the collection of taxes but also for statistics and for national security and the health of the people and the environment. The big issue therefore is not whether administrative formalities can be dispensed with but how to reduce them to the necessary minimum and how to simplify them so that they can contribute the least to the cost of logistics for moving goods in international trade.

F1. Export Procedures and Documentation

Export formalities in MMTZ are very simple, partly because they are not concerned with protecting or raising revenue. For horticultural products being exported by air, like cut flowers in Zambia, they are brought to the airport in refrigerated trucks. While they are being chilled the export documents are presented to Customs. Customs releases the products for exportation, and they are loaded ready for export.

In Tanzania flowers and vegetables are sometimes transported by road to Nairobi for export to Holland. It was reported that, at the border with Kenya, the refrigerated truck is opened for examination of its contents. Customs requires an aisle to be left in the middle of the truck to allow an officer to walk through. This necessitates under-loading of trucks, which is uneconomical. Furthermore, opening of trucks has resulted in damage to vegetables for export, and it takes one to four hours to clear one truck.

The Trade Hub will recommend formalities for inspecting perishables at the farm before they are loaded for export.

F2. Border Formalities

There are no special formalities for importing horticultural inputs; they are subject to general procedures and documentation. However, farmers in Mozambique pointed out that improvement in Customs clearance at the borders was critical to their success. They pointed out that Customs clearance at the borders with Zimbabwe is very slow, and at one border post the offices are not open on Friday afternoons. Because of delays at the border, freight companies place a surcharge of 15 percent of the transport cost as demurrage (charge for delaying the return of a container). They claimed that this amounts to an additional $350 added to transport cost per 20ft container

Further details would be required to appreciate the depth of the problem. The Trade Hub will discuss this problem with the Customs administration of Mozambique.

It was reported that there are still Customs clearance problems for traffic at the Garcia Ressano/Lebombo border despite the extension of border opening hours. The problem here is that on each side of the border trucks have to stop twice. On the Mozambique side they stop at Corridor Clearing to do the Customs clearance. Then they proceed to the border where they stop to carry out immigration formalities. The truck then crosses to the Southern Africa side where it stops by the border to carry out immigration formalities. Finally it proceeds to Komati old airport where Customs clearance formalities are completed.

A general complaint is that for incoming trucks, clearance is not allowed at the border, and there are no Customs facilities. Traffic coming in through the borders with Zimbabwe has to proceed to the port of Beira while trucks coming in through the Ressano Garcia border proceeds to the Inland Container Depot (Frigo), 100km from the border.

The Ressano Garcia issues are being addressed by a joint committee of the private sector, the Customs and the Ministry of Finance, but progress is slow. The Trade Hub will collaborate with the USAID mission in Maputo to monitor progress and to provide technical inputs.

F3. Outmoded Customs Laws and Document Processing

The growers in Chimoio complained that they could not submit Customs declarations in electronic format. The Customs law requires that the Customs form be completed with carbon copies. According to growers, this transcription process can result in 48 hours of delay or 14 man-hours of work by the Customs. They would like to give Customs a diskette with the declaration in the same format that the Customs would use in their computerized system.

The growers are no doubt comparing the Mozambican Customs systems with other systems they know: possibly those of Zimbabwe and South Africa. This is a question concerning Customs reform and modernization generally, which, unfortunately, is outside the scope of the present work plan of the Hub. However, the complaints will be brought to the attention of the Customs administration of Mozambique.

F4. Requests for Market Information

The Export Board of Zambia and other stakeholders pointed out that the South African Market for vegetables and other food products was very large. However, Zambian producers cannot take advantage of this market because they do not know the administrative requirements for importing such products into South Africa. They requested the Hub to assist in collecting such information, which could be issued in a Hub publication.

The principal of the ZEGA Training Trust, the training unit of ZEGA, proposed that the Hub prepare an export procedures module that the unit could use for training.

The Trade Hub will spare resources to prepare a simple publication on importing into South Africa. The International Trade Centre (ITC) in Geneva reportedly has readily available export procedure training courses; the Trade Hub will help ZEGA obtain the ITC publications.

G. Actions for the Horticulture Export Roadmap

The matrix that follows indicates actions needed to address the constraints identified by this study. The table also shows the stakeholders and strategic partners with which the Trade Hub will collaborate, the deliverables, and the quarter when the deliverables are to be expected. The matrix forms part of the horticultural export roadmap.

PLAN FOR ADDRESSING IDENTIFIED TARIFF AND NON-TARIFF BARRIERS TO HORTICULTURAL EXPORTS

CONTRAINTS	ACTION	RESULTS	KEY STAKEHOLDERS	TIMEFRAME
Delays in the refund of input VAT in Malawi, Mozambique and Tanzania.	**Bring the Revenue authorities together to share the experience of Zambia, which has successfully adopted measures for speeding up the refund of VAT**	**Increased liquidity of exporters and in more competitive exports since they would not include the VAT of the exporting country**	**Revenue Authorities, USAID Missions; ZAMTIE; Business associations in the three countries, Zambia Business Forum**	**June 2004**
Delays and other difficulties of getting duty-drawback in Mozambique.	**After further consultations with Mozambique Customs, make recommendations for improving the duty-drawback schemes on the basis of work done by IMF in Tanzania.**	**Increased liquidity of exporters and more competitive exports since they would not include the duties and taxes of the exporting country.**	**Mozambique Customs administration, USAID Mission in Mozambique, ICTA.**	**June 2004**
MOZAMBIQUE				
Long delays in clearing exports at the Lebombo/Garcia Ressano border and at the borders posts Mozambique and Zimbabwe	**Provide technical input to efforts to facilitate border Customs clearance at the mentioned borders.**	**Faster clearance times and extended opening hours at the borders.**	**Mozambique Customs administration, USAID Mission in Mozambique, ICTA, South African Customs,**	**Sept. 2004**
TANZANIA				
Customs examination of perishables in refrigerated trucks at the border	**Recommend formalities for inspecting perishables at the farm before they are loaded for export.**	**Reduced damage to perishables being exported across the border and faster clearance of exports at the border.**	**USAID Mission, Technoserve, Customs administration of Tanzania, TCCIA and growers associations**	**June 2004**
SOUTH AFRICA				
Lack of knowledge of the administrative requirements for importing vegetables and other food products into South Africa from MMTZ.	**Study and publish the administrative requirements for importing vegetable and other food products from MMTZ into South Africa.**	**A Hub "How to" publication with information on duties and taxes applicable to such products, trade restrictions and prohibitions (licensing, quotas, etc), standards and SPS requirements**	**USAID Mission in South Africa, SAIBL projects, South African Customs, RCSA/TSG Trade Policy Project, ZAMTIE, ZATAC, ZEGA, Zambia Farmers Union, SADC Secretariat**	**Sept 2004**

ANNEX

Directory of Horticulture Subsector Stakeholders

This appendix contains the names and contact information of individuals visited by the Trade Hub team during its visit to five countries to identify priority products for Trade Hub export facilitation activities. It also contains a short list of Middle East produce dealers. The list of Middle East produce dealers was developed in anticipation of contacting these buyers to investigate their interest in purchasing fruit and vegetables from selected African firms.

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